Shibaura Machine
View the Future with You

Integrated Report 2021

For the Fiscal Year Ended March 31, 2021

SHIBAURA MACHINE CO., LTD.

2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo
100-8503, Japan
TEL: 81-(0)3-3509-0200
URL https://www.shibaura-machine.co.jp/en/

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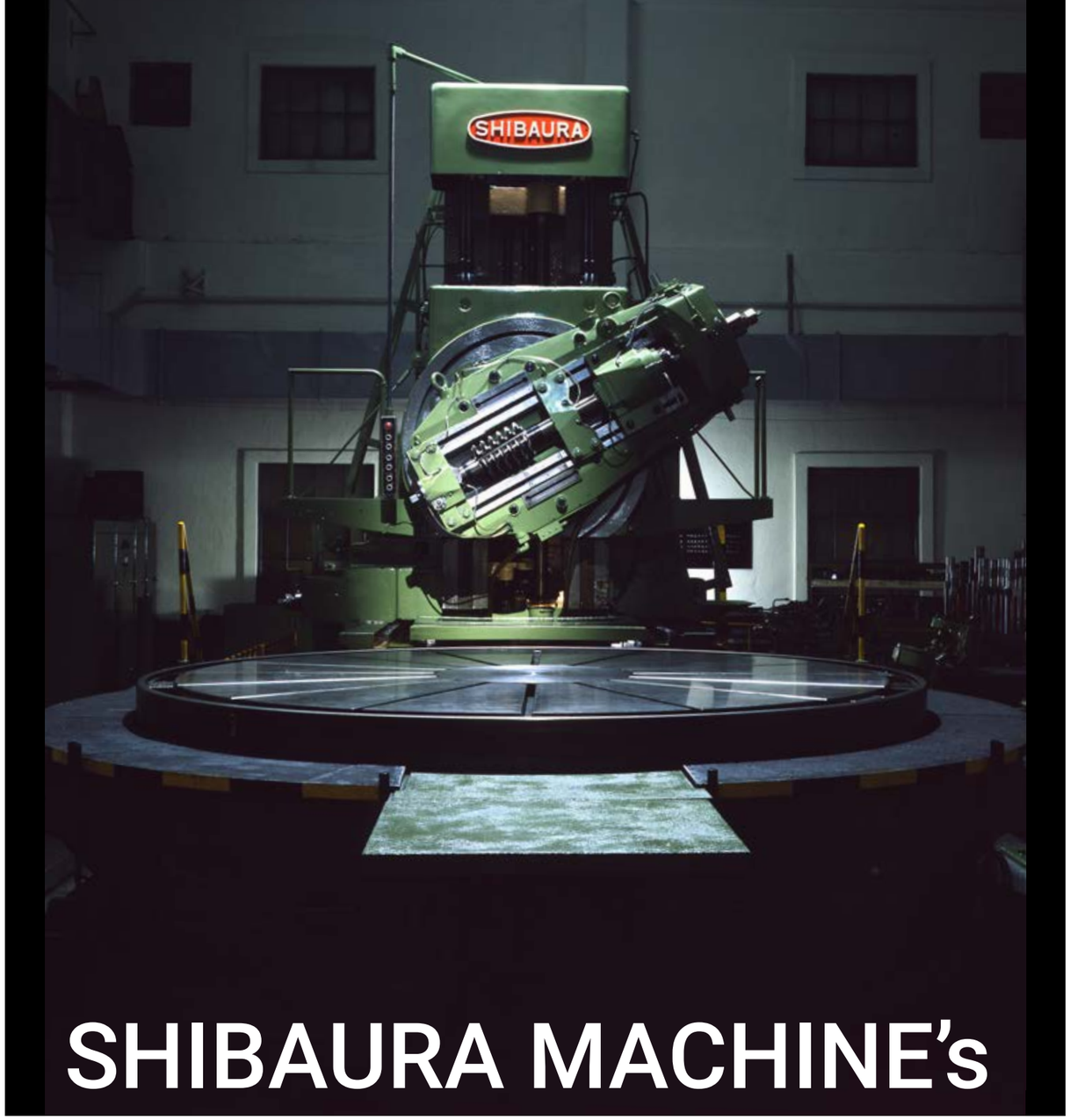
Editorial Policy
To help a wide range of stakeholders understand our efforts for long-term, sustained enhancement of corporate value, we have published *Integrated Report 2021*, our first such report.

We have compiled the report with an emphasis on factors that are particularly important for corporate value creation, including management strategies and environmental, social, and governance initiatives. Also, we have referred to The International Integrated Reporting Framework of the Value Reporting Foundation and the Ministry of Economy, Trade and Industry's *Guidance for Collaborative Value Creation*.



The HRS-500 master gear hobbing machine, completed in 1953

SHIBAURA MACHINE's Value Creation

Manufacturing Products Never Seen Before

SHIBAURA MACHINE founder Kametaro Fujishima was passionate about realizing domestic production and building the world's No. 1 manufacturer. Passed down from generation to generation, this passion has become part of our corporate DNA. We continue to welcome and overcome challenges and thereby support society's infrastructure.

Since 1938


The Tsurumi Plant at the time of our foundation

Our Starting Point

Our founder Kametaro Fujishima embarked on an ambitious initiative that led directly to the corporate culture we subsequently developed.

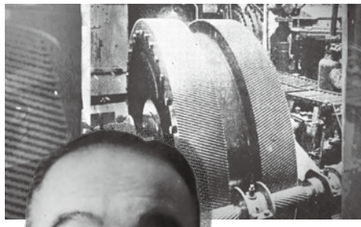
In 1913, prior to the Company's founding, Japan's first turbine ship became stranded off the coast of South America. The accident was caused by the ship's imperfectly manufactured reduction gears. When the high speed rotation of the steam turbine was reduced to match the rotational speed of the screw, the load concentrated on one tooth, which broke as a consequence. Upon learning that the poor quality of the gears was the cause, Fujishima resolved to contribute to the development of Japan's shipbuilding industry by making the world's best machine tools for the manufacture of reduction gears. The decision reflected his understanding of how crucial the development of shipping was to Japan as an island nation.

In 1938, SHIBAURA MACHINE was founded with the mission of achieving domestic production of machine tools, which Japan had to import from Europe and the United States at the time. Following an order issued by President Fujishima, in 1951 the Company launched a concerted effort to make the world's most precise gears. In 1953, we completed the HRS-500 master gear hobbing machine, whose main operation was milling the master gears of hobbing machines for ship reduction gears. From then on, we relentlessly pursued ever-higher levels of precision. As a result, the seventh iteration of the master worm wheel achieved the world's highest precision with a maximum cumulative pitch deviation of four thousandths of a millimeter.

Even today, this level of precision remains unsurpassed anywhere in the world. Large hobbing machines equipped with high-precision worm wheels manufactured by the HRS-500 master gear hobbing machine have been used for milling the large reduction gears of numerous ship turbines. In 2009, HRS-500 was certified as part of Japan's Mechanical Engineering Heritage by the Japan Society of Mechanical Engineers. Since our first groundbreaking achievements, a pioneering spirit that makes the "impossible" possible through untiring research and effort has been inherited by each and every one of our employees. Moreover, our mindset is precisely what enables us to do what others cannot and thereby solve an array of issues.



The creators of the master gear hobbing machine



Founder

Kametaro Fujishima

Brief history

Founder of SHIBAURA MACHINE, born in 1886
After joining Shibaura Engineering Works Co., helped establish and became president of Shibaura Machine Tool Co., the predecessor of SHIBAURA MACHINE
Established the foundations of SHIBAURA MACHINE by rolling out numerous state-of-the-art machine tools, including master gear hobbing machines

SHIBAURA MACHINE
Always Benefiting Key Industries

By working in close partnership with customers and providing them with solutions that SHIBAURA MACHINE is uniquely qualified to realize, the Company has remained true to its founder's commitment to excellence. We have helped develop society and enrich day-to-day life through the provision of an extensive range of machines for the manufacture of products that support society's infrastructure.

Social Backdrop

1930s to 1940s — From military demand to postwar reconstruction

- 1938 Machine Tool Industry Law
- 1945 End of World War II
- 1947 Resumption of commercial export trade

1950s to 1960s — High economic growth (heavy industry)

- 1950s Shift from coal to oil
- 1957 Beginning of color television sales
- 1958 Completion of Tokyo Tower

1970s to 1980s — Overcoming recession to expand overseas

- 1973 First oil shock
- 1979 Second oil shock
- 1989 Fall of the Berlin Wall

1990s to 2000s — From processing to molding, creation of new businesses

- 1993 Collapse of the bubble economy
- 1995 Establishment of the World Trade Organization
- 2008 The collapse of Lehman Brothers

2010s to present — Toward an "IoT+m" society interconnected by advanced technologies

- 2012 Opening of Tokyo Sky Tree
- 2014 Start of construction of Linear Chuo Shinkansen
- 2015 Adoption of Paris Agreement at COP21
- 2020 COVID-19 pandemic

History of Overseas Expansion

- 1974 **Establishment of local subsidiary in the United States**
- 1977 **Establishment of local subsidiary in Brazil**
- 1978 **Establishment of local subsidiary in Singapore**
- 1989 **Establishment of local subsidiary in Europe**
- 1989 **Establishment of local subsidiary in Thailand**
- 1989 **Establishment of local subsidiary in Taiwan**
- 1998 **Establishment of local subsidiary in China (Shanghai)**
- 2002 **Establishment of plant in China**
- 2008 **Establishment of local subsidiary in China (Shenzhen)**
- 2011 **Establishment of local subsidiary in Vietnam**
- 2012 **Acquisition of a company in India**
- 2012 **Establishment of plant in Thailand**
- 2012 **Establishment of local subsidiary in Thailand**
- 2019 **Establishment of local subsidiary in Mexico**
- 2019 **Establishment of local subsidiary in Italy**

1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010 | 2020–FUTURE

Machine tools

- 1938 Machine tool production started
- 1953 5-m master gear hobbing machine completed
- 1970 Gantry-type NC plano mirror MG-24/14A completed
- 1994 High-speed double column type die-sinking machine MPF-2140B completed
- 2014 Double column type machining center MPJ-2640M completed
- 2020 Vertical boring and turning mill TMD-C series completed Addition of sliding surface specifications

Moldings

- 1946 Mold production started
- 1956 Plastic mold completed
- 1968 Expanded to radiator-grill mold and automotive mold business
- 1987 RIM bumper mold
- High-precision optical glass mold press machine and micro-pattern imprinting machine
- 1993 High-precision optical glass mold press machine GMP-211 developed
- 2005 Micro-pattern imprinting machine ST50 completed
- 2019 Optical glass molding press machine Die molding transfer system (large aperture) GMP-207-9S completed

High precision machine tools

- 1982 High-precision flat polygon mirror generator UFG-200P completed
- 2003 Linear motor drive completed
- 2015 High precision aspheric generator ULC-100F(S) completed 0.1 nm control
- 2016 High precision 5-axis machining center UVM-700E(5AD) completed

Electronic controls

- 1977 TOSNUC transferred from Toshiba Corporation
- 1980 Programmable logic controller (PLC) PMC-5 completed
- 2001 Injection molding machine controller INJECTVISOR-V21 completed
- 2018 Injection molding machine controller INJECTVISOR-V70 completed

Industrial robots

- 1996 SCARA robot business transferred from Toshiba Corporation
- 2011 Compact cartesian coordinate robot BA-C compact arm completed
- 2019 SCARA robot THE600 completed

Textile machinery

- 1945 Artificial silk production machine
- 1955 Primary fiber processing machine
- 1960 Secondary fiber processing machine

Extrusion machines

- 1952 First plastic extrusion machine model completed
- 1979 Magnetic tape production machine (coater) completed
- 2001 High-precision coating unit (CR) developed
- 2014 High cost performance twin-screw extruder TEM-58SSG completed
- 2018 Ultra-high-torque twin-screw extruder TEM-37SX completed

Injection molding machines

- 1956 First injection molding machine (preplasticating method) completed
- 1981 Extra-large injection molding machine IS5000DN completed
- 1998 Electric injection molding machine EC series developed
- 2016 All-electric injection molding machine EC280SXII - EC550SXII completed
- 2018 All-electric injection molding machine EC-SXIII series completed

Die casting machines

- 1953 Japan's first hydraulic die casting machine completed
- 1982 Magnesium hot chamber die casting machine DHM-300 completed
- 2000 Hybrid die casting machine DEC150MT developed
- 2014 Die casting machine DC350R-M/H/EM/EH completed
- 2020 Electric clamping die casting machine DC1300R-E completed

Hydraulic equipment

- 1963 Technology partnership for hydraulic equipment
- 1987 U-series hydraulic control valve completed
- 2007 Hybrid swing system development started
- 2015 Transfer of stocks
- 2020 Transfer of stocks

Semiconductor manufacturing equipment

- 1977 Electron beam drawing machine EBM-100/105H developed

Printing presses

- 1945 Sheet-fed offset printing machine produced
- 1972 Offset rotary press completed
- 1983 World's fastest print speed offset rotary press OA-4B2T-800D completed
- 1998 Sectional drive system rotogravure printing press GSN series developed
- 2001 Offset rotary press transfer to business

Food machinery

- 1966 Draft beer automatic fixed quantity dispensing machine completed
- 1981 Coffee Master SDM-10A completed
- 1990 Beer server controller HBS completed
- 1999 Transfer to business

We have accumulated unique strengths through a consistent corporate stance dating back to the philosophy of our founder.

Corporate value enhancement will be sustained by continuing to improve strengths while providing customers and society with solutions that the SHIBAURA MACHINE Group is uniquely qualified to realize.

Solution Capabilities

The Company has been able to resolve a variety of issues by providing solutions that it is uniquely qualified to realize and leveraging strong relationships with customers. As companies continue transforming their business models to address social issues, technological needs are expected to increase. Working with customers, we will use our solution capabilities to help address social issues and remain an indispensable member of society.

Three Strengths

Technological Capabilities

SHIBAURA MACHINE has always placed the utmost importance on its technological capabilities and the engineers who underpin them. This emphasis has led to the formation of eight technological platforms (Please see page 36 for details.). Based on these platforms, we have developed and manufactured advanced machines across a broad range of industries. In evolving a business model that combines products and services, our technological capabilities will be a major asset.

Customer Relationships

The Company has developed long-term relationships of trust with a wide range of customers in many different industries thanks to its previous focus on large products with relatively long life cycles as well as its basic approach to value creation, which is to work closely with each customer and solve their particular issues. As we transform our business model, these relationships of trust will continue to be an irreplaceable strength.

Corporate Principles Connected to the Founding Spirit

Corporate Identity

We will contribute to maximizing value for our customers around the world.

Basic Management Policy

Adapting to the times and innovating

We remain a company which adopts the latest technologies, adapts and innovates without fear of change.

Customer satisfaction which exceeds expectations

We not only meet expectations, but also achieve customer satisfaction which exceeds expectations.

Contributing to society by helping to create infrastructure

We take pride in our involvement in the industrial base and benefiting society everywhere.

Developing human resources for the next generation

We will continue to nurture people who are responsible, take pride in their work, and develop their skills.

Appreciation, inspiration, and passion

We aim to share the excitement of creating solutions while remaining thankful to our customers, business partners, and families.

Continuing to Contribute to Key Industries

In accordance with its Corporate Principles, SHIBAURA MACHINE will partner with customers worldwide and solve their issues by utilizing technological capabilities to create combinations of products and services. Furthermore, we will work with customers to address the issues faced by global society. By deepening our relationships with customers through the provision of high-value-added solutions, we will continue driving a powerful virtuous cycle that sustains corporate value growth.

INPUT

- Human Capital
- Intellectual Capital
- Manufactured Capital
- Social and Relationship Capital
- Natural Capital
- Financial Capital

Helping Key Industries Develop through SHIBAURA MACHINE's Cycle for Increasing Value

01 Issue detection
Detecting potential issues ahead of time and designing solutions for them

02 Combinations of products and services that leverage technological capabilities
Adding intangible value to products through self-improvement and utilization of internal and external resources

03 Resolution of customer issues
Solving issues by providing value that not only meets but exceeds customer expectations

04 Deeper relationships with customers and know-how accumulation
Improving satisfaction of customers to deepen relationships with them and accumulate know-how that leads to the creation of new value

OUTPUT

Our products

Injection molding machines, Die casting machines, Extrusion machines, Machine tools, Precision machines, Industrial robots, Control systems

OUTCOME

Resolving issues faced by key industries

Examples of industries to which we contribute

Automotive, Rechargeable battery, Renewable energy, Smartphone, Food packaging materials, High-speed rail, Aircraft

- 1 Realizing GHG-reduced products, technologies, and materials
- 2 Realizing resource-saving and energy-saving technologies
- 3 Improving efficiency of and spreading energy creation
- 4 Improving performance of and spreading energy storage devices

- 1 Realizing robots that can symbiotically coexist with humans
- 2 Realizing autonomous production lines
- 3 Upgrading and spreading water purification technologies
- 4 Upgrading and spreading sterilization technologies

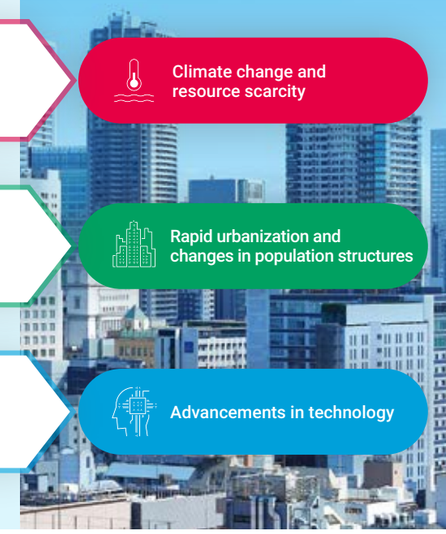
- 1 Realizing new materials that provide novel functions
- 2 Spreading next-generation communications (5G / 6G)
- 3 Upgrading and evolving weight-saving technologies
- 4 Upgrading and spreading intelligent devices

OUT-COME

Addressing social issues

Contributing to the SDGs

SUSTAINABLE DEVELOPMENT GOALS



SHIBAURA MACHINE's Vision for the Future

Together with our customers, we are engaged in business activities aimed at realizing a better society. SHIBAURA MACHINE will continue utilizing its technological capabilities and knowledge not only to reduce environmental burden but also to make people's lives safer and more rich.

Key Words **Decarbonization, Weight saving, New materials, Electric vehicles**

Environmental Burden Reduction
through Products

SHIBAURA MACHINE has developed and supplied eco-products that lower environmental impact by reducing the weight of components and their number. Today, we are developing products that will contribute to global initiatives to realize a decarbonized and recycling-oriented society. We have already contributed to the development of new materials that can be used as alternatives to paper and plastic, such as cellulose nanofibers and stone paper, which is made from limestone. Also, we are helping reduce environmental burden by providing LiB separator film production lines—essential for the spread of electric vehicles.

Key Words **Digital transformation, AI and the IoT, Improving productivity**

Creation of High-Quality Products
through Technological Innovation

We are forging ahead with "SHIBAURA DX" (digital transformation), which entails the use of digital twins and other leading-edge technologies to complete processes from development and design through to production planning, verification, and prototype verification in virtual spaces. The completion of 99.7% of such processes virtually will dramatically improve productivity. In addition, by creating data-based connections to all processes and automatically collecting, analyzing, and utilizing digital data in line with the "IoT+m" concept, we will efficiently create high-value-added products, thereby simultaneously heightening our profitability and increasing the competitiveness of our customers.

Social Value that SHIBAURA MACHINE Will Provide

Optimal Production Lines
Enabled by Automation

In the manufacturing industry, the shortage of labor due to a declining working population has become a social issue. Expectations are growing with respect to industrial robots, including collaborative robots that work with people. We are contributing to plant automation by providing system engineering, high-precision, high-quality industrial robots and SCARA robots as well as comprehensive support for entire plants. Going forward, we will contribute to the innovation and competitiveness of customers' production lines by combining various technologies with control, mechatronics, and IoT technologies to realize unmanned production lines and robots that can coexist with humans.

Key Words **Labor productivity improvement, Collaborative robots, System engineering, Plant automation**

Natural Energy
Dissemination

Through a range of products, we are contributing to the spread of renewable energy, which is being introduced worldwide as an alternative energy source to fossil fuels. Our products help improve the performance of a wide range of products for power generation, transmission, and storage. For example, our manufacturing equipment enables the production of rechargeable battery components that improve power storage performance. Further, we help improve power generation efficiency through our manufacturing equipment for Fresnel lenses used in solar power generation and our manufacturing equipment for the pivot drilling of wind power generation equipment. We will continue to support the spread of renewable energy by making full use of the technologies we have accumulated.

Key Words **Renewable energy, Wind power, Rechargeable batteries**

We will continue supporting key industries by advancing along a “challenging path.”

Regaining Our Founding Spirit

In 1940, we began developing Japan’s first large hobbing machine. Ultimately, a master worm wheel machined by the HRS-500 master gear hobbing machine achieved the world’s highest precision: a maximum cumulative pitch deviation of four thousandths of a millimeter, which far surpassed customer requirements. At the time, the Company invested an amount twice that of its capital but sold only 23 units. For this reason, it is difficult to say the initiative was economically rational in the short term. However, our predecessors’ ambitious initiative was essential in enabling us to accumulate many different technologies and create an extensive product lineup. We have been able to continue supporting key industries in Japan and overseas precisely because we have retained the mindset of our founders, who believed in the future and advanced along a “challenging path.” At the present juncture, if we continue to seek differentiation based only on the durability and precision of our products, we will not be able to compete with overseas manufacturers, who boast overwhelming cost competitiveness. To survive, the newly established SHIBAURA MACHINE Group must depart from existing practices and take the challenging path by providing new added value that exceeds customer expectations.

Providing Value That Exceeds Customer Expectations

In providing new added value that exceeds customer expectations, we must anticipate customer issues and offer solutions to them in the form of services that supplement our products. In realizing this added value, we needed to change from a vertically integrated organization optimized for the manufacture of individual products into an agile organization capable of sharing resources flexibly and to focus our energy on target growth fields. Therefore, we have shifted from a business unit system to an in-house company system.

The aim of this reorganization is not only to allow adjustments to fluctuations in the workloads associated with each product through flexible assignment of personnel but also to achieve more-fundamental improvement in productivity. As well as being an advantage, our unique competence in realizing large special-purpose machines has been a disadvantage in terms of management inefficiency due to long manufacturing cycles and retrograde adjustments to processes. Another management-related disadvantage has been a business portfolio that comprises multiple business models based on different manufacturing cycles and asset uses. For example, in addition to business models based on large special-purpose machines, we have business models designed for injection molding machines, which have annual production volumes of several thousand units. To eliminate the aforementioned management inefficiencies at a fundamental level, our R&D center is leading the “SHIBAURA DX” (digital transformation) initiative.

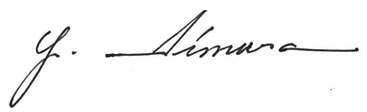
Each in-house organization is creating a database of business processes, including design, manufacturing, processing, and maintenance, and shared business process architecture. Being able to manufacture different products based on the same architecture will encourage collaboration among in-house organizations and enable us to concentrate our resources on priority fields. Further, “SHIBAURA DX” is promoting the use of digital twins with the aim of simultaneously reducing costs, shortening lead times, and heightening quality by verifying manufacturing processes in virtual spaces rather than at customers’ production sites. “SHIBAURA DX” will play a pivotal role in our provision of added value that exceeds the expectations of customers around the world.

Fulfilling Our Mission through Continued Support for Key Industries

New SHIBAURA MACHINE Long-Term Vision 2030 sets out an ideal role for the Group, calling on it to address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends. Based on the eight technological platforms that we have built and tirelessly improved, we will focus on energy and the environment, labor productivity improvement, AI and the Internet of Things (IoT), and new materials. I am convinced that our social mission, and the only way to sustainably enhance corporate value, is to help key industries address the challenges of a new era—an approach that is in line with New SHIBAURA MACHINE Long-Term Vision 2030 and the strategy we have consistently pursued since our establishment in 1938. To fulfill this social mission, the new SHIBAURA MACHINE must do whatever it takes to accomplish the Management Reform Plan. We have been steadily implementing the plan by advancing a range of measures to strengthen corporate governance. For example, we have established a Board of Directors in which independent outside directors constitute a majority, actively recruited external personnel, and reformed executive compensation. As part of management reforms, in June 2021 I ceded the position of chief executive officer to our president, Shigetomo Sakamoto, and shifted my focus to supervising the execution of operations.

As the SHIBAURA MACHINE Group instills its founding spirit in all employees and advances in concert along a challenging path, I would like to ask our shareholders, investors, and all other stakeholders for their continued support.

August 2021



Chairman

By combining products and services to provide high added value, SHIBAURA MACHINE will remain a company needed by society.

Shigetomo Sakamoto
President
Chief Executive Officer
Chief Operating Officer

The New SHIBAURA MACHINE—Continuing to Support Key Industries

After separating from the Toshiba Group in March 2017, the Company changed its corporate name to SHIBAURA MACHINE CO., LTD., in April 2020 and embarked on a new journey. Since its establishment in 1938, the Company has consistently contributed to the manufacturing operations of key industries in each era by providing "mother machines," or "machines for making machines," as Japan's industrial structure has evolved. To continue supporting Japan's manufacturing industry going forward, we must establish a cycle in which we increase competitiveness and profitability, generate profits, invest for the future, and achieve sustainable growth in corporate value. To this end, we must also chart a reliable course that will enable us to survive as an entity independent of the Toshiba Group. Moreover, given the major change in our shareholder composition, this course must garner the endorsement of a wide range of shareholders. The senior management team's determination to set out a viable course for SHIBAURA MACHINE is reflected in a medium-term management plan covering the period through to fiscal 2023—the Management Reform Plan—and a long-term road map extending through to fiscal 2030—New SHIBAURA MACHINE Long-Term Vision 2030—both of which were announced when the new SHIBAURA MACHINE was established in February 2020.

Decisively Improving Profitability Based on the Management Reform Plan

In recent years, we have focused on increasing the output and sales of general-purpose machines. Premised on high economic growth rates, this approach of selling large volumes of products with narrow profit margins is no longer viable due to the stagnation of Japan's economy and the rise of companies with strong cost competitiveness in China and other parts of Asia. As a result of these factors, the Company's low profitability became chronic. For this

reason, the Management Reform Plan, announced in February 2020, marked a clear shift in emphasis toward profitability, setting as quantitative targets for fiscal 2023 net sales of ¥135.0 billion, an operating margin of 8.0%, a dividend payout ratio of approximately 40.0%, and ROE of 8.5%. To achieve these targets, we first had to eliminate fundamental inefficiencies that had developed over the years and transform into a highly profitable organization.

Our use of a business unit system for approximately 80 years entrenched the optimization of discrete operational areas. Consequently, our organization and work processes became rigid and various inefficiencies arose. To rectify these problems, we transitioned from the business unit system to an in-house company system. By reorganizing seven business units into the Molding Machine, Machine Tools, and Control Systems in-house companies, we have improved management efficiency, clarified responsibility for business results, and delegated authority over management resources. Furthermore, the reorganization has enabled overall optimization by addressing the issue of dispersed and duplicated functions. Also, we have established the Production Center to consolidate control over manufacturing functions, including production and procurement, casting and machining, and overseas manufacturing bases. Moreover, we have established a new R&D Center at the Sagami Plant, in the Tokyo metropolitan area, to consolidate R&D functions, secure talented personnel, and accelerate technology development based on industry–academia collaboration. In addition, we have set up a new head office in Tokyo with the aim of strengthening corporate governance by increasing the frequency of communication with outside directors. Needless to say, we have taken a range of measures to reduce fixed costs and thereby curb the increase in expenses arising from the establishment and relocation of bases. For example, while implementing the aforementioned reorganization, we launched a voluntary retirement program and reassigned personnel to optimize resource allocation and reduce fixed costs.

I believe that we are beginning to see certain benefits from our reforms. In fiscal 2020, ended March 31, 2021, we were able to realize operating profit despite the steep decrease in net sales caused by the COVID-19 pandemic, which led to a deterioration in the business environment and the suspension of business talks with customers.

Shifting Our Focus onto Productivity Improvement

In fiscal 2021, ending March 31, 2022, demand is showing signs of recovering in step with the gradual normalization of the economy in Japan and of those overseas. Automobile-related orders are particularly robust, and we expect to increase revenues and earnings and achieve numerical targets for the current fiscal year. Up until fiscal 2020, we focused on improving our profit structure by reducing fixed costs. However, while reaping the benefits of these reforms, beginning from fiscal 2021 we will shift our focus onto improving profitability through increased productivity.

First of all, we plan to steadily reorganize our plants in line with the in-house company system by fiscal 2023. In Japan, we will concentrate molding machines at the Numazu Plant, machine tools at the Gotemba Plant, and control machines at the Sagami Plant to consolidate engineering departments that work with similar machines but have hitherto been dispersed, thereby increasing technological synergies and design efficiency. Through the establishment of a new “smart” machining factory, the Numazu Plant will also function as the mother plant for the entire Company.

Further, we will build an optimal production portfolio based on the characteristics of domestic and overseas markets. We provide equipment that enables players in key industries, especially manufacturers, to grow. Therefore, in countries with mature economic growth such as Japan, repeat orders will be our main source of orders. Meanwhile, in China and India, where economic growth rates remain high, we expect significant increases in order volumes. Accordingly, in such markets we will follow the principle of local procurement and production for local consumption and pursue efficiency through the mass production of a limited variety of products, with a focus on small and medium-sized injection molding machines and die casting machines. Beginning from the second half of fiscal 2021, in China, Thailand, and India, we will meet the automation needs of 5G and smartphone component plants in China and Southeast Asia by consolidating the products that each of our bases specializes in, such as small and medium-sized injection molding machines and SCARA* robots. In India, we are moving forward with plans to build a new plant in anticipation of the end of the pandemic. Meanwhile, in Japan we will concentrate on high-value-added products, including large injection molding machines, large die casting machines, extrusion machines, and ultra-precision processing machines. We will also focus on robot technologies that are directly linked to the Internet of Things (IoT). In this way, we will take sure-footed steps toward the accomplishment of the Management Reform Plan. At the same time, SHIBAURA MACHINE will transform into a company able to provide high added value that caters to society’s future needs and facilitates dramatic technological advances. This overall goal is set out in New SHIBAURA MACHINE Long-Term Vision 2030.

* Selective compliance assembly robot arm

Providing High Added Value by Combining Products and Services

New SHIBAURA MACHINE Long-Term Vision 2030 looks beyond the Management Reform Plan to our reinvention as a highly profitable company that continuously achieves ROE of more than 10.0%. To this end, we will pursue four overriding strategies (see page 26). Of these strategies, our Companywide strategy will be to develop new businesses that combine products and services and thereby increase profitability and earnings opportunities.

By working in close partnership with customers and carefully investigating their needs, we have built customized machines and provided high added value in the form of low costs, high productivity, outstanding performance, and durability. The long-cultivated partnerships we have with market-leading customers are irreplaceable assets for our sustained progress. In recent years, society’s expectations have been increasing with respect to countermeasures for climate change and other issues common to all humankind. Consequently, increasing numbers of companies are incorporating the Sustainable Development Goals (SDGs) into management strategies and seeking economic development through innovation that addresses environmental and social issues. We will be able to fulfill our ideal role of simultaneously addressing social issues and enhancing corporate value if we can reliably continue to help resolve the problems of our customers as they react to the interactions with markets facilitated by their finished products and open up new markets in line with society’s current needs. In these ways, we will be able to contribute to the achievement of the SDGs through our business activities. We will not only cater to our customers’ requests but also unearth the seeds of new demand and actively offer solutions based on combinations of products and services that help address social issues.

In response to a major global trend toward decarbonization, the automotive industry is pursuing significant structural changes that can be summed up by the acronym “CASE,” which stands for connected, autonomous, shared and service, and electric. Through a variety of products, we can contribute to the realization of these structural changes. For example, we can use large injection molding machines, die casting machines, and functional resin kneading machines to help reduce the weight of car bodies, which is becoming essential as larger-capacity batteries are introduced. We can also use ultra-precision processing machines, which boast a large share of the global market, and glass molding machines to meet demand for camera lenses included in vehicle-mounted visual sensors. Further, we are in the process of ramping up our production capacity to cater to an increase in orders for extrusion machines used in the manufacture of separator films for lithium-ion batteries.

By solving customers’ issues, we will simultaneously address social issues and enhance corporate value.

I will meet my responsibilities through the unwavering implementation of the Management Reform Plan.

We will also help address social issues by providing added value through a wide range of other products, including high-pressure continuous press machines, which save energy in production processes by increasing productivity; injection molding machines and die casting machines that enable the production of light, high-strength components; extrusion machines that save resources by creating new materials capable of being used as alternatives to traditional plastics; and laborsaving robots.

Meanwhile, we will create new businesses. One example of the capabilities we have developed that will form the basis of new businesses is the addition of new functions through surface structure control. We will differentiate ourselves by providing new value-added products that enable customers to generate profits, such as film casting equipment and coating machines that add dissimilar materials to surfaces and imprint equipment adding fine shapes to surfaces.

In recent years, as respective companies have realized general-purpose products with a certain level of quality, the focus of competition has shifted to cost. As for large special-purpose machines, there is a limit to how far we can differentiate and increase profitability based on the performance of individual products. In developing new businesses that combine products and services and thereby increase profitability and earnings opportunities, we will not only use technologies to reflect social megatrends but also provide new added value in terms of processes. At the core of these efforts is the "SHIBAURA DX" (digital transformation) strategy.

Pursuing Efficiency through "SHIBAURA DX"

When the performance of a product has not met expectations or when a customer has made additional requests for a product, we have solved such problems by using the manufacturing skills of our on-site personnel. This craftsmanship is part of the tradition of SHIBAURA MACHINE and remains its unseen strength to this day. In improving productivity and profitability, however, the elimination of the inefficiencies inherent in our business model—such as the wastefulness of manufacturing through repeated revisions and reworking as well as the long construction periods of large machines—has become a pressing task.

One of the aims of "SHIBAURA DX" is to change from a business model that relies on the aforementioned post-processes to one that improves the efficiency of manufacturing as a whole by making full use of advanced technologies in design and other front-end processes. The concept of "SHIBAURA DX" is to utilize digital twins to virtually recreate and achieve 99.7% completion of all processes from the definition of requirements, development, and design through to production planning and prototype manufacturing and verification—processes that used to take an enormous amount of time. The use of digital twins is beneficial both to us and customers because it shortens lead times and improves product performance and quality. Moreover, this approach eliminates reworking as customers can analyze the performance of finished products in advance. Particularly for us, inherent inefficiencies will become advantages in the sense of offering significant scope for profitability improvement.

Under "SHIBAURA DX," we are also envisioning operations further in the future. In 2019, we began rolling out *machiNet*, a platform for IoT-enabled manufacturing. The platform avoids sudden production stoppages by automatically collecting real-time operational data and using AI to analyze it and diagnose issues. Furthermore, *machiNet* will help realize smart factories by connecting equipment through a common protocol, thereby transforming our output-driven business model into one that is stock based.

Adding Value to Our Entire Business Model

Aiming to transform and add value to SHIBAURA MACHINE's entire business model through such measures as the development of businesses that combine products and services, each in-house company will build a portfolio of highly profitable products. Specifically, while downsizing or withdrawing from operations for commodity machines as well as for small machine tools and other models with low profitability, we will invest heavily in high-value-added domains and growth markets where we have advantages, such as large machine tools, ultra-precision processing machines, and injection molding machines.

Growing overseas sales is another main pillar of New SHIBAURA MACHINE Long-Term Vision 2030. The key in this regard will be to increase overseas sales of machine tools, which account for around 30% of the overall sales of these products, a low level compared with the sales breakdowns of industry peers and our other products. In growing sales of machine tools overseas, we will avoid general-purpose machines, where competition is fierce, and focus on fields in which we can provide high added value and demonstrate our strengths, such as large machines and ultra-precision processing machines. Over the medium to long term, we will achieve differentiation by combining products and services.

Achieving unprecedented, bold changes through in-house resources alone is unrealistic. For this reason, we will depart from our preference for self-sufficiency. We have already demonstrated this new approach in China by partnering with local engineering companies to localize the installation of LiB separator film production lines, and we have seen a rapid rise in inquiries regarding this type of equipment. In similar ways, we will further strengthen collaborations with other partners who can help us expand domestic and overseas sales channels, improve production efficiency, and acquire technologies that address social issues. In addition, we will consider reinforcing the technologies that we need by taking advantage of our strong financial base to conduct M&As. Our policy will be to carefully select investees based on strict criteria.

The R&D and Production centers I mentioned earlier will serve as platforms for the creation of new technologies. These centers will train and deploy specialists while promoting the utilization of external resources through the active formation of alliances with external partners. Also, we are reforming our personnel evaluation system from a seniority-based system into one based on performance evaluations. We have already completed the introduction of a system under which managers are assigned to positions with specific job descriptions, and we plan to extend the scope of this system to include general employees beginning from fiscal 2022. Furthermore, we will leverage this system to recruit highly skilled professionals who are well versed in the leading-edge technologies needed to advance "SHIBAURA DX." Also, we will proactively take measures to promote diversity as well as mental and physical health so that a diverse group of talented personnel can maximize their abilities in our workplaces.

Enhancing Corporate Value Continuously over the Long Term

Through the reforms implemented to date, SHIBAURA MACHINE is steadily developing a lean profit structure. However, we must also recognize that the corporate culture and work methods that have been established over our long history are not easy to change. With this in mind, I intend to continue holding dialogues so that members of the senior management team and employees develop a shared sense of crisis. In carrying out reforms based on a long-term perspective, we must ensure that our shareholders have a clear understanding of our management policies. Therefore, I would like to deepen communication with shareholders, analysts, and independent outside directors, who are the representatives of shareholders; listen sincerely to stakeholders' valuable opinions; and reflect them in our management decisions.

I will meet my responsibilities to all our stakeholders by remaining mindful of our long-term vision while unwaveringly implementing the Management Reform Plan and producing results. As we reform, I would like to ask our stakeholders for their continued support and guidance.

August 2021

President
Chief Executive Officer
Chief Operating Officer

Fiscal 2020 Performance Review

Net sales decreased significantly year on year due to weak capital investment demand both in Japan and overseas as a result of the COVID-19 pandemic. In the second half of Fiscal 2020, however, signs of recovery emerged mainly in China and the United States.

Lower net sales and deterioration in capacity utilization led to marked year-on-year declines in operating profit and ordinary profit. SHIBAURA MACHINE was able to secure operating profit thanks to the recovery of markets in North America and India as well as reductions in activity expenses and other fixed costs.

Loss in this term attributable to parent company shareholders was recorded due to a partial reversal of deferred tax assets.

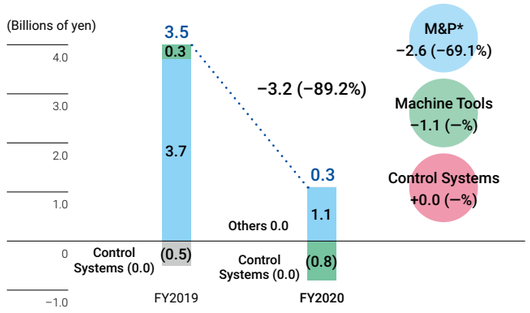
Consolidated Business Results

Summary of Business Results

(Unit: billions of yen)

	FY2020	FY2019	Change
Net sales	92.6	116.7	−24.1
Operating profit / Profit ratio	0.3	3.5	−3.2
	0.4%	3.0%	−2.6 pts
Ordinary profit / Profit ratio	0.8	3.8	−3.0
	0.9%	3.3%	−2.4 pts
Net profit (loss) in this term attributable to parent company shareholders / Profit ratio	(2.8)	7.3	−10.1
	(3.1)%	6.3%	−9.4 pts
Amount of orders received	88.6	94.2	−5.6
Exchange rate (US$1)	¥111	¥109	

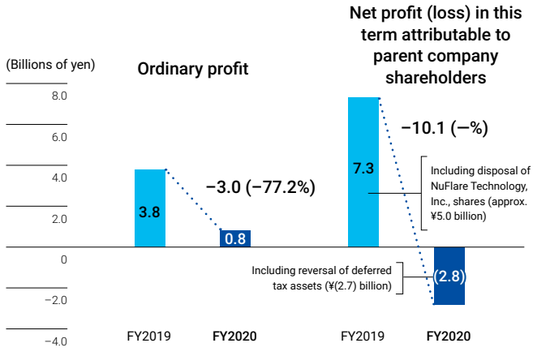
Operating Profit (Segment)



M&P Machine Tools Control Systems Others

* Metal & Plastics Industrial Machine

Ordinary Profit / Net Profit (Loss) in This Term Attributable to Parent Company Shareholders



Fiscal 2020 Results by Segment

Metal & Plastics Industrial Machine Segment

Sales of injection molding machines increased in North America and China, which were among the first countries to recover from the COVID-19 pandemic. However, sales of these machines remained lackluster in Japan and Southeast Asia. Orders rose amid conspicuous pickups in the markets of North America, China, and India.

Die casting machine sales and orders declined, reflecting softening capital investment demand in Japan and overseas.

Although sales of extrusion machines decreased, sales of manufacturing equipment for sheets and films that are used as new environment-friendly materials grew in Japan. In China, orders increased for LiB separator film production lines and optical sheet and film manufacturing equipment.

(Injection molding machines, die casting machines, extrusion machines, etc.) (Unit: billions of yen)

	FY2020	FY2019	YoY amount change	YoY percentage change
Net sales	64.3	77.2	−12.9	−16.7%
Operating profit	1.1	3.7	−2.6	−69.1%
Operating profit ratio	1.8%	4.9%	—	−3.1 pts
Amount of orders received	63.7	63.1	+0.6	+1.0%

Machine Tools Segment

Sales of industrial and construction machine tools were down in Japan and overseas. As for orders, the second half of the fiscal year saw capital investment in industrial machinery and wind power generation and other energy-related sectors recover, particularly in Japan, China, and North America.

While sales of high-precision machines for optical molding rose in Japan, high-precision machine sales declined in China and Taiwan. Orders were down for high-precision machines for optical molding in Japan and overseas.

(Machine tools (large machines, double column type machining centers, boring machines, vertical boring and turning mills, etc.), precision machines, etc.) (Unit: billions of yen)

	FY2020	FY2019	YoY amount change	YoY percentage change
Net sales	20.8	29.6	−8.8	−29.7%
Operating profit (loss)	(0.8)	0.3	−1.1	—
Operating profit ratio	(4.0)%	1.0%	—	−5.0 pts
Amount of orders received	17.4	22.8	−5.4	−23.6%

Control Systems Segment

The control systems business saw sales and orders decrease because lower sales of and orders for servo motors and other products—which stemmed from postponement of capital investment in Japan—outweighed steady sales of and orders for SCARA robots for automated equipment that is used in the assembly of smartphones and electronic devices in China and linear motors for equipment that is used in the manufacture of semiconductors in Japan.

(Industrial robots, Electronic controls, etc.) (Unit: billions of yen)

	FY2020	FY2019	YoY amount change	YoY percentage change
Net sales	7.3	9.1	−1.8	−19.3%
Operating profit (loss)	(0.0)	(0.0)	+0.0	—
Operating profit ratio	(0.5)%	(0.4)%	—	−0.1 pts
Amount of orders received	6.1	6.4	−0.3	−5.0%

Fiscal 2021 Results Forecast (As of announcement on November 9, 2021)

In fiscal 2021, ending March 31, 2022, the economic environment is likely to remain uncertain due to geopolitical risks, the COVID-19 pandemic in Japan and overseas, and supply chain disruptions, such as the global shortage of semiconductors. Nonetheless, the economic environment is generally picking up as national economies recover from the pandemic and demand related to electric vehicles and energy grows.

Given the aforementioned recovery in orders at present, in fiscal 2021 we expect increases in orders and net sales to surpass the targets set for fiscal 2021 in the Management Reform Plan.

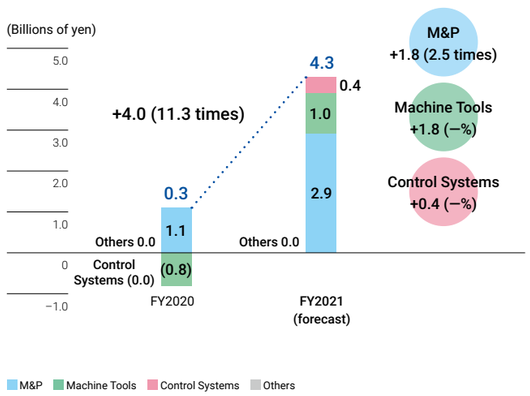
Consolidated Business Results Forecast

Summary of Business Results and Fiscal 2021 Results Forecast

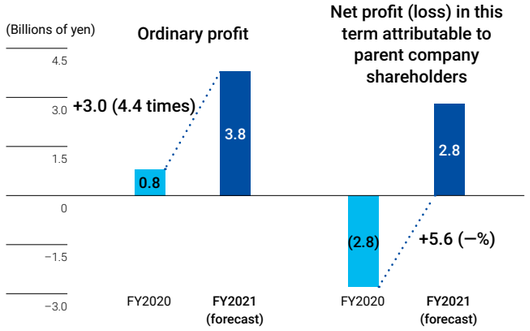
(Unit: billions of yen)

	FY2021 Forecast	FY2020 Results	YoY change
Net sales	113.0	92.6	+20.4
Operating profit / Profit ratio	4.3	0.3	+4.0
	3.8%	0.4%	+3.4 pts
Ordinary profit / Profit ratio	3.8	0.8	+3.0
	3.4%	0.9%	+2.5 pts
Net profit (loss) in this term attributable to parent company shareholders / Profit ratio	2.8	(2.8)	+5.6
	2.5%	(3.1)%	+5.6 pts
Amount of orders received	155.0	88.6	+66.4
Exchange rate (US$1)	¥107	¥111	

Operating Profit (Segment)



Ordinary Profit / Net Profit (Loss) in This Term Attributable to Parent Company Shareholders



Fiscal 2021 Forecast by Segment

Metal & Plastics Industrial Machine Segment

In addition to robust demand for products related to medicine and containers, demand in Japan and overseas for products related to automobiles, including electric vehicles and rechargeable batteries, is expected to increase.

(Injection molding machines, die casting machines, extrusion machines, etc.) (Unit: billions of yen)

	FY2021 Forecast	FY2020 Results	YoY amount change	YoY percentage change
Net sales	77.8	64.3	+13.5	+21.0%
Operating profit	2.9	1.1	+1.8	2.5 times
Operating profit ratio	3.7%	1.8%	—	+1.9 pts
Orders	113.8	63.7	+50.1	+78.6%

Machine Tools Segment

We expect higher demand for machine tools for automobiles, wind power generation equipment, industrial machinery, and the molding of lenses for smartphones and automobiles.

(Machine tools (large machines, double column type machining centers, boring machine, vertical boring and turning mills, etc.), Precision Machines, etc.) (Unit: billions of yen)

	FY2021 Forecast	FY2020 Results	YoY amount change	YoY percentage change
Net sales	26.1	20.8	+5.3	+25.0%
Operating profit (loss)	1.0	(0.8)	+1.8	—
Operating profit ratio	3.8%	(4.0)%	—	+7.8 pts
Orders	30.7	17.4	+13.3	+76.1%

Control Systems Segment

Demand is likely to increase for robots related to smartphones, linear motors for semiconductor manufacturing equipment, and automation and labor-saving systems.

(Industrial robots, electronic controls, etc.) (Unit: billions of yen)

	FY2021 Forecast	FY2020 Results	YoY amount change	YoY percentage change
Net sales	9.6	7.3	+2.3	+29.8%
Operating profit (loss)	0.4	(0.0)	+0.4	—
Operating profit ratio	4.2%	(0.5)%	—	+4.7 pts
Orders	9.4	6.1	+3.3	+52.8%

Basic Dividend Policy

We set a basic policy to maintain stable dividends and share profits according to business results while strengthening our management structure with the aim of increasing profitability.

We will utilize earned surplus to make effective investments in production equipment, technology development, overseas business expansion, and other purposes based on strategic decisions on future business development to achieve continuing corporate evolution, while continuously realizing appropriate returns to our shareholders.

Dividend Results and Forecast

	Interm	Year-end	Full year	Dividend payout ratio (consolidated)
FY2019 results	¥42.5*1	¥42.5*1	¥ 85.0	28.0%
FY2020 results	¥37.5	¥37.5	¥199.3*2	—
FY2021 forecast	¥37.5	¥37.5	¥ 75.0	181.1%

*1 The interim and year-end dividends each included a memorial dividend of ¥5.
*2 The Company provided a special dividend totaling ¥3 billion (¥124.30 per share) on the record date of June 30, 2020, and the full-year dividend for fiscal 2020 included the aforementioned special dividend of ¥124.30.

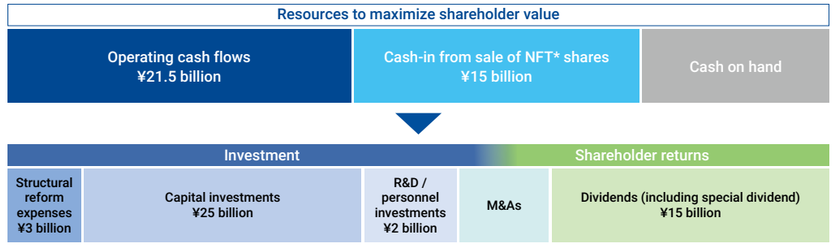
I will realize the mission that I have set myself—the accomplishment of the Management Reform Plan.

Hiroaki Ota

Director
Chief Financial Officer, Executive Operating Officer
In charge of Corporate Strategic Planning Division

Uses of Cash Flows Between Fiscal 2019 and Fiscal 2023

The Company will return a total of ¥15 billion to its shareholders by making capital and personal investments of ¥30 billion and carrying out M&As with the aim of achieving ¥135.0 billion in net sales and ROE of 8.5% in fiscal 2023.



* NuFlare Technology, Inc.

Rigorous Improvement of Productivity

Against the backdrop of trade friction between the United States and China, the Company experienced a significant decline in profitability around 2019. Looking back over the past decade, net sales, operating profit, and market capitalization have all been flat, while ROE has remained below the expected cost of shareholders' equity. In other words, SHIBAURA MACHINE has not generated corporate value for a long time. To continue meeting the expectations of all our stakeholders, we urgently need to transform into a highly profitable company. Based on a sense of crisis in this regard, we are forging ahead with the Management Reform Plan, which covers the period from fiscal 2019 to fiscal 2023 and is strongly focused on profits.

Our total asset turnover and financial leverage have not been significantly different from those of industry peers. The reason for our low ROE has been a narrow after tax net profit margin of 3.5%, lagging behind the industry average of 7.9%. To allow us to analyze this profit margin in greater detail and focus on productivity as well as selling, general and administrative expenses as a percentage of net sales, we set net sales per employee as a key performance indicator. Then, we implemented a voluntary retirement program in September 2020. However, our objective in taking this measure was not just to reduce fixed costs. If we continue conventional manufacturing, fixed costs will increase again as orders recover, and the lowering of our break-even point will only be temporary. Our real objective is to achieve better manufacturing with fewer personnel through the use of sales departments and their points of contact with customers as the starting points of production plan refinements that seek sound production fundamentals by eliminating waste from procurement through to manufacturing. The resulting improved production efficiency will reduce inventory, which in turn will enhance cash flows and asset turnover.

Our core measures to improve production efficiency are a shift from a business unit system to an in-house company system and the accompanying consolidation and streamlining of production bases as well as the relocation of production to the most suitable regions in Japan and overseas. Reorganizing seven business units into three in-house companies and allocating categories of mechanically similar products to individual in-house companies will allow us to assign personnel flexibly across product category boundaries, which was not possible under the business unit system, and level out workload peaks. In addition, we are improving the efficiency of production design and production through the introduction of common product designs and unitization.

Enhancement of Capital Efficiency

In recent years, we kept a large amount of funds on hand in preparation for our departure from the Toshiba Group. Due to the susceptibility of our business to economic fluctuations, we will maintain the equity ratio at its present level so that we can not only continue steadily investing for the future without being affected by economic trends but also provide stable dividends to our shareholders over the long term. Accordingly, we will focus on profit growth to achieve the Management Reform Plan's ROE target of 8.5%. We will improve profitability by investing in growth areas where we can take advantage of our strengths while enhancing productivity through the various measures I mentioned earlier and making effective use of assets. A good example of effective asset utilization is the commercialization of part of the Sagami Plant's distribution center, which resulted from our reorganization of manufacturing bases.

During the period of the Management Reform Plan, we expect to generate ¥21.5 billion in operating cash flows. With a view to achieving ROE of 8.5%, we will allocate cash inflows from the disposal of shares and cash on hand in an optimally balanced manner. Of this cash, we have earmarked ¥30.0 billion for structural reforms, capital expenditures, R&D, and personnel investments in the period through fiscal 2023. We are strictly managing investment efficiency based on a hurdle rate for both the introduction of new equipment and the development of new models that is linked with the 8.5% ROE target. Also, to acquire such resources as the personnel and intellectual property that we need over the long term, we plan to invest in M&As. We will implement such investments only after an in-house team of M&A and alliance specialists has thoroughly verified the financial benefits of investments.

With the maintenance of stable dividends as our basic policy, we will use approximately ¥15.0 billion to fund shareholder returns and target a dividend payout ratio of around 40% during the period of the Management Reform Plan. In fiscal 2020, we paid a dividend of ¥199.3 per share, including a special dividend of ¥124.3 per share. In fiscal 2021, we plan to pay a dividend of ¥75.0 per share, equivalent to a dividend payout ratio of 181.1%.

Fiscal 2020 Review and Fiscal 2021 Outlook

In fiscal 2020, due to the global economic slowdown triggered by the COVID-19 pandemic, net sales decreased approximately 20.0%. Of this decrease, we estimate that the pandemic had a negative impact on net sales of approximately ¥10.0 billion. As a result of deterioration in capacity utilization, operating profit declined significantly. Unfortunately, we were unable to reach our initial target for operating profit. Nonetheless, thanks to reductions in fixed costs, variable costs, and activity expenses, we were able to realize operating profit rather than the operating loss forecast at the beginning of the fiscal year under review.

As for fiscal 2021, the adoption of new revenue recognition standards will postpone the recognition of sales for certain products until fiscal 2022. However, the negative impact on net sales of approximately ¥13.0 billion expected as a result of this change has already been factored into our plan. On the other hand, orders are currently picking up. Therefore, we expect net sales to grow 14.0% year on year, with particularly strong contributions from extrusion machines used in the manufacture of separators for lithium-ion batteries and ultra-precision processing machines used in the manufacture of ultra-small lenses for smartphones and other devices. By realizing the benefits of measures taken to date under the Management Reform Plan and improving productivity, we aim to grow operating profit to ¥2.7 billion.

My Mission as the CFO

In August 2020, I was appointed to the newly established position of CFO as SHIBAURA MACHINE's first externally recruited director and executive operating officer, and I intend to fulfill my duties while always maintaining an objective viewpoint. Previously, I worked as an M&A advisor for 27 years. In this capacity, I sought to increase the corporate value of companies and was involved in everything from the formulation of management strategies through to M&A planning, implementation, and post-merger integration. The mission I have set myself is to utilize the experience in all aspects of corporate management that my former position has given me and accomplish the Management Reform Plan in my capacities as both CFO and general manager of the Corporate Planning Division. Further, I intend to increase dialogue by enhancing the quality of our communication with shareholders and investors in Japan and overseas. In conjunction with these efforts, I want to increase the scope of disclosure beyond just financial information, including disclosure of environmental, social, and governance information.

In closing, I would like to ask our shareholders and investors as well as all of our other stakeholders for their continued support and understanding.

New SHIBAURA MACHINE Long-Term Vision 2030

On March 5, 2020, we announced New SHIBAURA MACHINE Long-Term Vision 2030. We formulated this long-term vision to ensure sustained growth beyond fiscal 2023, the final fiscal year of the Management Reform Plan.

Long-Term Vision 2030: Our Ideal Role and Four Overriding Strategies

Setting out our ideal role, Long-Term Vision 2030 calls on us to address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends. In line with this vision, we believe that our social mission—and the way to sustainably enhance corporate value—is to assist key industries in overcoming the challenges of a new era.

Under Long-Term Vision 2030, we aim to transform into a highly profitable company that continuously secures ROE above 10.0%. To achieve this target, we will move forward based on four overriding strategies: evolving our business portfolio, developing new businesses that combine products and services and thereby increase profitability and earnings opportunities, growing overseas sales, and fostering personnel to support our technological platforms.

New SHIBAURA MACHINE Long-term Vision 2030 (Outline)

Management Reform Plan toward the new SHIBAURA MACHINE (FY2019 – FY2023)

Long-Term Vision 2030 (Our Ideal Role) (FY2030)

Address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends

Megatrends

- Climate change and resource scarcity
- Rapid urbanization changes in population structures
- Advancements in technology

Technological innovation

New SHIBAURA MACHINE

- Current: Individual sales of industrial machinery
- Future: Added value of combining products and services
  (Monetization of processes and knowledge)
  (Breaking away from in-company management, enhancing M&A)

Four Directions of Long-Term Vision 2030

- Business portfolio strategy (clarification of focus areas and reduction / withdrawal fields)
- Improve profitability and expand profit opportunities through new businesses combining products and services
- Expand overseas sales
- Human resource strategy that supports technological platforms

Developing New Businesses That Combine Products and Services and Thereby Increase Profitability and Earnings Opportunities

We will increase profitability and earnings opportunities by not just selling products that meet customer needs but creating businesses that combine products and services to solve customer issues, such as increasing the efficiency of production plans and assets and enhancing environmental friendliness.

Overall Policy

Selling of products → Selling of products and services

Company that responds to challenges such as customer production planning, improvement of asset efficiency, and environmental responses

Company-Specific Policies

Commodity machines → High-value-added machines

- Adding of value through a digital transformation of selected models
- Active investments in growth markets and high-value-added domains

Customers' production stages

SHIBAURA MACHINE (Present)	Prototype / initial production	Full-scale production	Increased production	Aging of equipment
		Individual sales of industrial machinery → Business selling products		
		Industrial machinery maintenance / service		
			Sales of restored machines (used purchases / resales)	
Addition of "service" business	Sharing (our sharing factory and equipment)			
	Prototyping		Production increase	
	Small-lot production			

- Provide services in all of our customers' production stages
- Participate in and expand profit opportunities from start to finish of production stages

Evolving Our Business Portfolio (Strategies for Respective In-House Companies)

We will clarify priority fields and fields in which we reduce business or withdraw from and actively invest in growth markets and high-value-added fields.

Basic policy	High-value-added / market expansion areas: New	High-value-added / market expansion areas: Expand / enhance	Reduce / withdraw
Machine Tools Company Focus on specific domains by model selection Energy / Aircraft / Optics / Devices	• Multifunction machines • Ceramic cutting machines • System engineering	• Large machines • Special, dedicated machines • Ultra-precision processing machines	• Small and general-purpose machines
Metal & Plastics Industrial Machine Company Injection molding machines and die casting machines → Expand local production for local consumption overseas Automobiles / Resource-saving Extrusion machines → Business expansion through investment Energy / Devices / New materials	• Dissimilar material joining machines • High-pressure continuous presses (all-solid-state batteries, etc.) • Reactive extrusion machines (biomass, etc.)	• Injection molding machines • Die casting machines • Extrusion machines	• Domestic production of standard hydraulic machines • Conical-type extruders
Control Systems Company Specialize in external sales and strengthen system engineering Automation / Labor saving	• Collaborative robots • AGV	• Robots • Servo motors, controllers	• NC, controllers (utilizing of external alliances)
New Business Company Establish technology for adding new functions via surface structure control Automation / Devices	• Film casting equipment: Electronic circuit market (next-generation communications) • Coaters: High-performance films, devices market (all-solid-state batteries, ceramic capacitors, optical components, etc.) • Imprint equipment: Water purification and sterilization market (Deep-UV LEDs)		

Digital transformation

Evolving Our Business Portfolio (Expanding Existing Businesses)

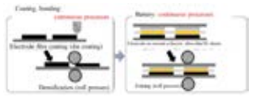
We will continue to expand and strengthen existing businesses to provide added value through a wide range of products and help address social issues. Amid the global trend toward decarbonization, we have a variety of products that can contribute to decarbonization initiatives.

Contribute to reducing greenhouse gases

Power generation and storage

High-pressure continuous press machines

Enhanced productivity through continuous processes



SE: solid electrolytes

Rechargeable batteries

All-solid-state batteries

Source: FY2018 NEDO Advanced Battery and Hydrogen Technology Department Results Report Meeting (B1-03) LIBTEC Materials

New materials

Reactive extruders

Creation of new materials via continuous reaction of naturally occurring raw materials

Biomass

Wood plastics

Resource-saving

Injection molding machines and Die casting machines

Realization of lightweight and high-strength parts

LFORMER

Weight saving and recycling

Aluminum car frames

CFRP parts

Source: JST New Technology Presentation Meetings materials

Evolving Our Business Portfolio (Creating New Businesses)

Through the provision of film casting equipment, coating machines, and imprint equipment that add new functionality through surface structure control, we will enable our customers to generate profits. We will differentiate ourselves by realizing new added value.

Realizing the adding of new functions via surface structure control

Electronic circuits

Film casting equipment

Function improvement via adding dissimilar materials to surfaces

Next-generation communications

Laminated wiring boards

Source: Website of Shin-Asahi Electric Ind. Co., Ltd.

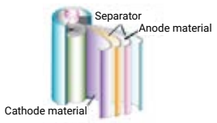
High-performance films / Electronic devices

Coating machines

Function improvement via coating dissimilar materials to surfaces

LiB / all-solid-state batteries / ceramic capacitors

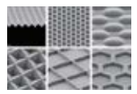
High-performance separator films



Healthcare

Imprint equipment

Function improvement via adding fine shapes to surfaces



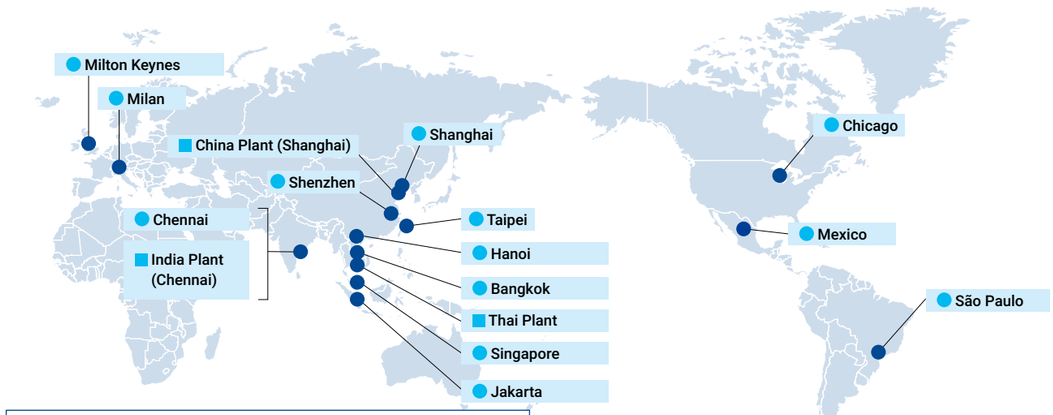
Water purification / sterilization

Deep-UV LEDs

Source: JST New Technology Presentation Meetings materials

Growing Overseas Sales

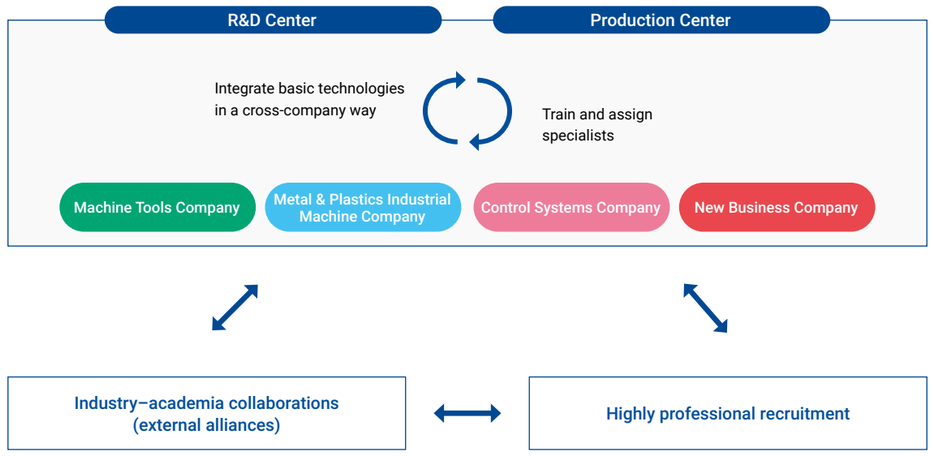
Overseas sales of machine tools account for around 30% of our machine tool sales, a small share when compared with an average of around 60% among industry peers. We will heighten overseas machine tool sales as a percentage of machine tool sales by reducing general-purpose machines and focusing on fields where we can realize a competitive advantage, such as large machines and high-precision machines.



Total of 46 overseas locations
●: 13 local sales subsidiaries / ■: 3 local manufacturing subsidiaries
(As of March 31, 2021)

Fostering Personnel to Support Our Technological Platforms

The R&D Center and the Production Center, which were newly established in April 2020, will consolidate basic technologies that are laterally distributed among in-house companies as well as train and assign specialists to support SHIBAURA MACHINE's technological platforms. Further, we will utilize external resources by forming industry–academia collaborations and other external alliances and by hiring people who have advanced professional skills.



Management Reform Plan

The SHIBAURA MACHINE Group’s business environment is becoming increasingly uncertain due to the COVID-19 pandemic, trade friction between the United States and China, and ongoing geopolitical risks. To adapt to this business environment and transform into a new corporate group that prevails in the coming era, we will continue implementing the Management Reform Plan, a medium-term management plan announced on February 4, 2020.

Framework of Management Reform Plan

Aiming to transform into a highly profitable company and achieve net sales of ¥135.0 billion, an operating margin of 8.0%, and ROE of 8.5% in fiscal 2023 and a dividend payout ratio of approximately 40.0% during the term of the medium-term management plan, the Group will conduct management reforms centered on reorganization, invest in growth areas, and implement financial strategies designed to improve capital efficiency (ROE).

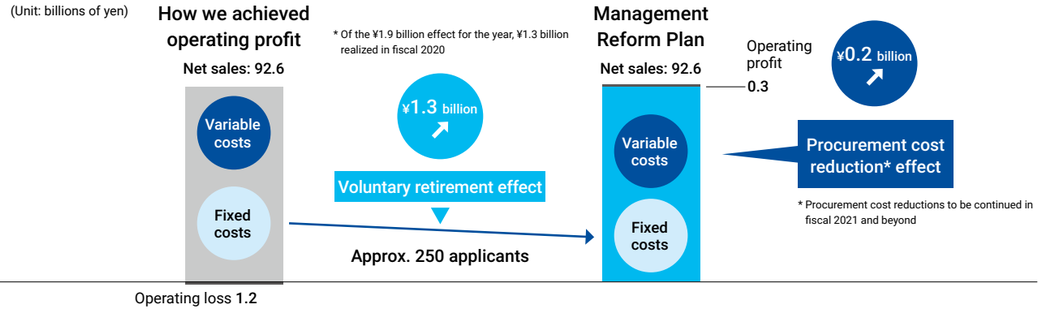
Quantitative targets Target value for FY2023 Consolidated basis	**Net sales** ¥135 billion	**Operating profit ratio** 8.0%	**Payout ratio** Prospect of 40% (during the period of the Management Reform Plan)	**ROE** 8.5%
Specific measures	**Management reform centered on reorganization** (i) Transition from a business unit system, stemming from which numerous inefficiencies arose, to an in-house company system and thereby realize overall optimization (ii) Establish an R&D Center and Production Center for integrated Companywide enhancement of production efficiency, quality, cost, and delivery (iii) Reassign personnel and launch a voluntary retirement program to optimize resource allocation and reduce fixed costs **Promotion of growth investments aimed for expansion of purposes to fields expected to grow in the future** (iv) Promote growth investments aimed at expanding applications in fields expected to grow in the future			
Investment plan / Financial strategies	**Implementation of financial strategies aimed at improving of return on equity (ROE)** (v) Allocate cash on hand to investments toward transforming into a highly profitable company and enhance profitability and capital efficiency			

* QCD: Quality•Cost•Delivery

Progress of the Management Reform Plan and Policy for Fiscal 2021

Effects of the Management Reform Plan (Fiscal 2020)

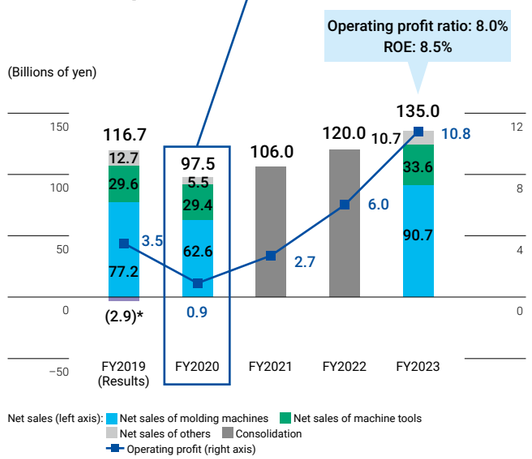
Regarding business performance in fiscal 2020, due to the COVID-19 pandemic, net sales decreased to ¥92.6 billion, which we estimate represents approximately ¥10.0 billion in lost net sales. If we had not implemented the Management Reform Plan, we would have recorded an operating loss of ¥1.2 billion. However, the plan’s measures enabled us to secure operating profit of ¥0.3 billion, an improvement of ¥1.5 billion.



Goal of the Management Reform Plan and Results for Fiscal 2020

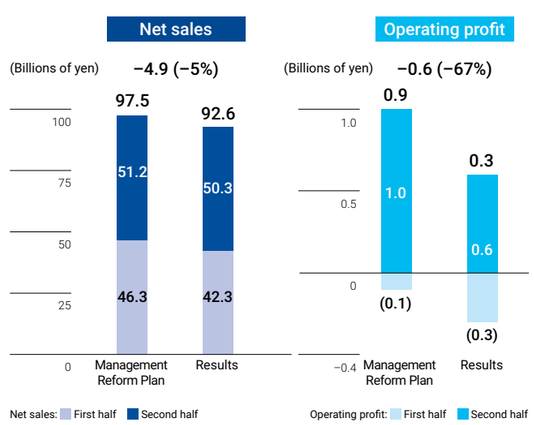
In fiscal 2020, due to the COVID-19 pandemic net sales and operating income fell far short of the Management Reform Plan’s numerical targets. In fiscal 2021, we will achieve the plan’s numerical targets by improving the profit margin through efforts to reap the benefits of the current recovery in market conditions and the plan’s measures.

Management Reform Plan’s Numerical Targets



* Intersegment eliminations

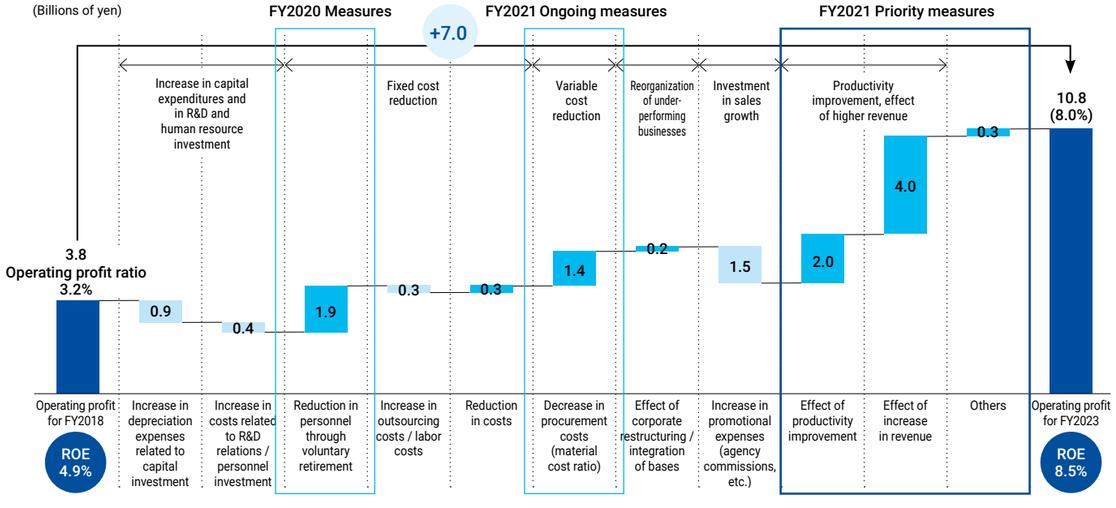
Net Sales and Operating Profit in Fiscal 2020



Initiatives for Fiscal 2021

We will transform into a highly profitable company by continuing to reduce procurement costs while advancing the fiscal 2021 priority measures, which will focus on (1) productivity improvement, (2) the effect of increase in revenue, and (3) others.

Implementation of Measures and Expected Effects of the Management Reform Plan (Operating Profit Impact)

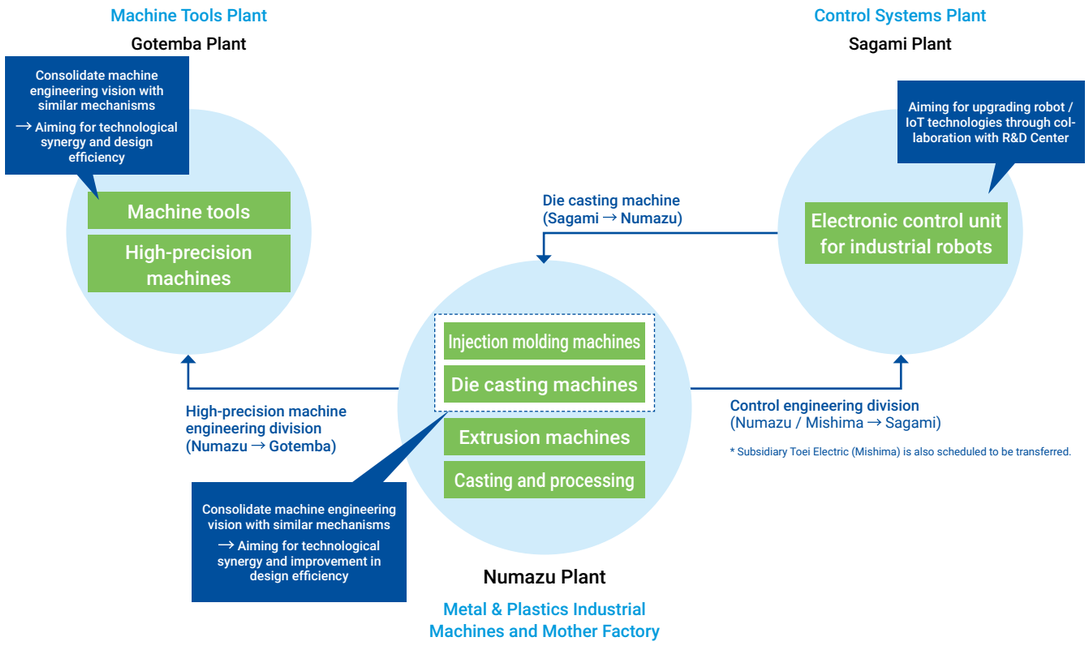


Reorganization and Relocation of Offices in Japan (Policy)

1 Productivity improvement

We will reorganize plants as part of our shift from a business unit system to an in-house company system. Specifically, we will concentrate molding machines, casting, and processing at the Numazu Plant; machine tools at the Gotemba Plant; and control machines and the R&D Center at the Sagami Plant. These reorganized plants will improve productivity.

Reorganization of Plants Necessary to Shift from a Business Unit System to an In-House Company System



Progress of Production Facility Reorganization

1 Productivity improvement

The SHIBAURA MACHINE Group is lowering costs by completely transferring the production of small and medium-sized molding machines and SCARA robots to overseas plants, by reducing outsourcing costs in Japan, and by mass-producing a limited variety of products at overseas plants. In addition, we will build a new plant on a site adjacent to our plant in India to expand the scale of operations and increase production volume.

Company	Policy
Metal Plastics Industrial Machine	● Centralizing small and medium-sized electric injection molding machines in China and Thailand ● Centralizing hydraulic injection molding machines in India ● Centralizing small die casting machines in China and Thailand ● Plants in Japan specialize in large injection molding machines, large die casting machine, and extrusion machines
Machine Tools	● Reviewing general-purpose machinery production structure ● Specializing in large and special-purpose machines and high-precision machines
Control Systems	● Transferring SCARA robot production to China ● Expanding system engineering business
Common	● Establishing a new machine processing plant (smart factory) in Numazu

Effective targets in Fiscal 2023

+¥2 billion

Increasing Revenues by Meeting Demand for Extrusion Machines and Establishing a New Business (Utilizing Existing Plant Site)

We will grow revenues by ramping up production capacity for LiB separator film production lines, for which inquiries and orders are currently brisk. We will also increase revenues through the establishment of a new business by utilizing the south part of the Sagami Plant site to commercialize a logistics facility.

Meeting Demand for Extrusion Machines

BSF* inquiries and orders

- In the second half of fiscal 2020, received orders worth approximately ¥12.0 billion from China
- From 2021 onward, high level of inquiries and orders likely to continue amid worldwide introduction of electric vehicles

2 The effect of increase in revenue

Meeting demand for BSF

- Increasing annual production capacity to 48 production lines
- From the second half of fiscal 2021, utilizing a local engineering company in China to increase local installation and adjustment

* LiB separator film production lines

New Business (Utilization of Plant Site)

2 The effect of increase in revenue

- Will use part of the Sagami Plant site adjacent to National Route 246 to establish a logistics facility (scheduled to start up in autumn 2023)
- Business alliance with Mitsui Fudosan Co., Ltd.
- Areas of the site not required for the new logistics center to be used as an R&D center and as a base for control systems, will leverage geographic advantages in terms of the ease of recruiting personnel from the Tokyo metropolitan area and create an operating base that uses leading-edge technologies

A rendering of the completed MFLP Zama (provisional name)

Management Reform Plan: Operational Reform

3 Others

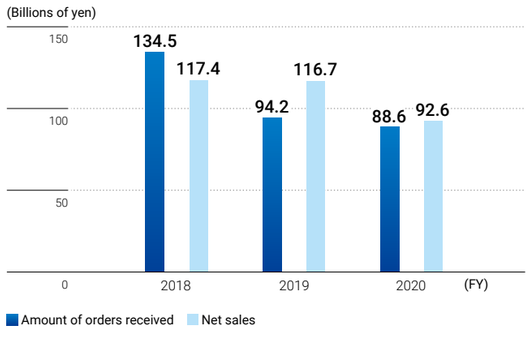
We will improve operational efficiency, productivity, and profits through operational reform and system building that visualize business management, establish a new human resource system, reform production, and revamp sales.

	FY2020 initiatives	FY2021 initiatives
Business management visualization	**Built management accounting system** ○ Started automated aggregation (from April 2021) ○ Established multifaceted analytic capabilities	● Reassign accounting personnel appropriately as aggregation automated ● Use multifaceted analytics to identify management losses swiftly and take rapid countermeasures
Human resource system	**Built new human resource system** ○ Incorporated certain elements of a position-based human resource system ○ Began a system for managers (from April 2021)	● Prepare for the start of a system for union members
Production reform	**Reanalyzed productivity of processing plants** ○ Completed analysis of overall production issues	● Analyze measures for improving productivity ● Establish seamless information linkage between sales and plants
Sales reform	**Identified current situation and issues** ○ Completed identification of issues ○ Started rebuilding sales processes	● Expedite the transmission of sales information from sales to plants and improve the accuracy of information ● Conduct education to change the mindset of sales managers

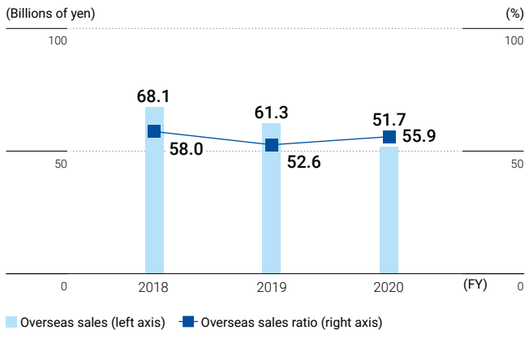
Financial and Non-Financial Highlights

Consolidated Financial Highlights

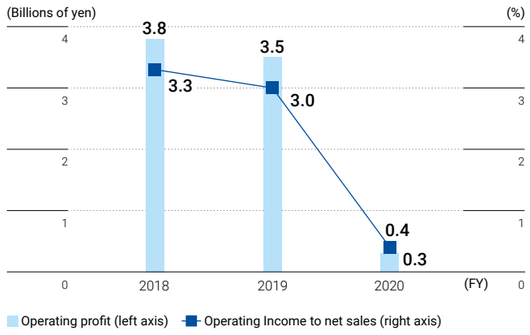
Amount of Orders Received / Net Sales



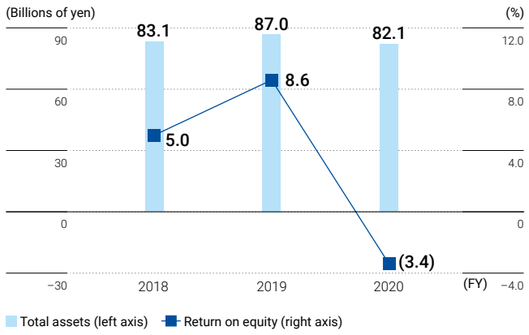
Overseas Sales / Overseas Sales Ratio



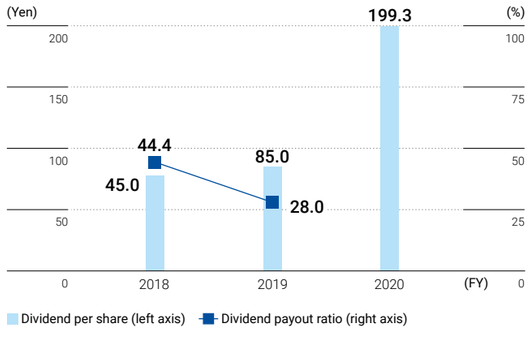
Operating Profit / Operating Income to Net Sales



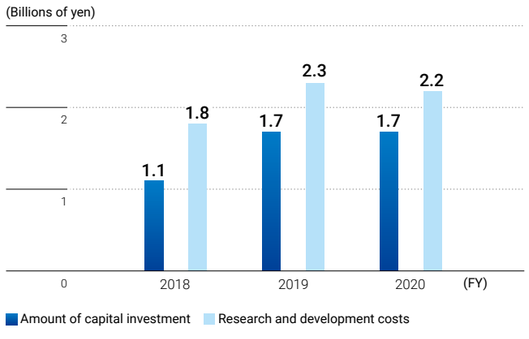
Net Worth / Return on Equity



Dividend per Share / Dividend Payout Ratio

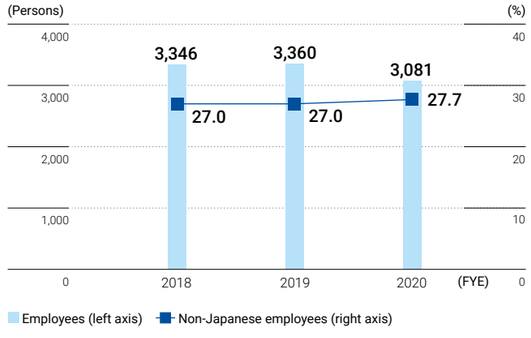


Amount of Capital Investment / Research and Development Costs

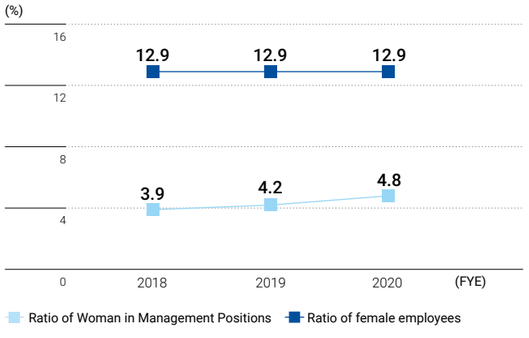


Non-Financial Highlights

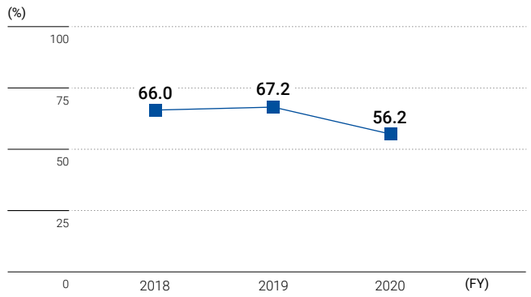
Employees / Non-Japanese Employees (Consolidated)



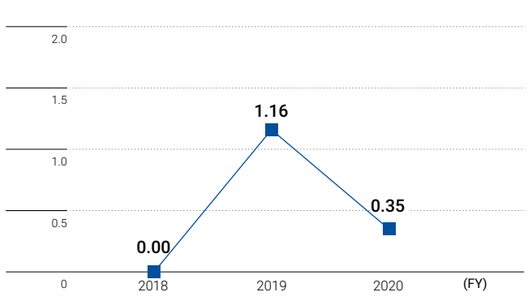
Ratio of Woman in Management Positions / Ratio of Female Employees (Consolidated)



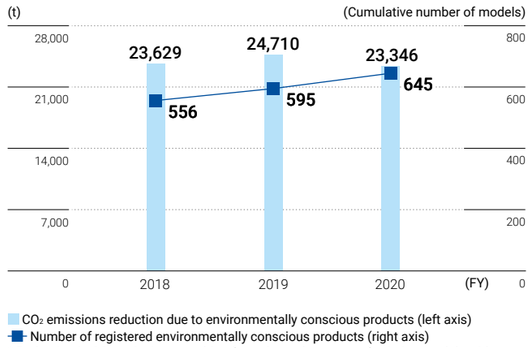
Acquisition Rate of Paid Leave (Non-Consolidated)



Lost Time Injury Frequency Rate (Non-Consolidated)

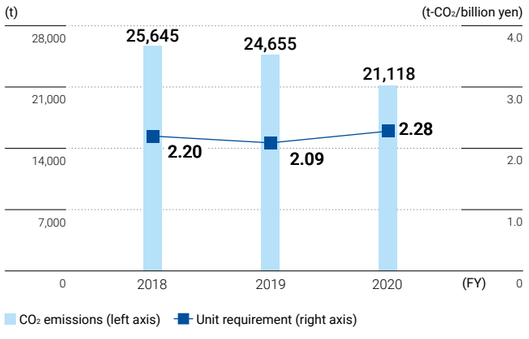


CO_2 Emissions Reduction Due to Environmentally Conscious Products* / Number of Registered Environmentally Conscious Products



* Reduction in CO_2 emissions resulting from the replacement of existing models with environmentally conscious products that have superior energy-saving performance

CO_2 Emissions / Unit Requirement



CORE TECHNOLOGIES

SHIBAURA MACHINE Technologies That Contribute to Key Industries

Eight Technological Platforms

Developing and Manufacturing an Array of Advanced Industrial Equipment

Since our establishment in 1938, we have brought to market a myriad of industrial machinery, including machine tools, textile machines, printing presses, mold making machines, extrusion machines, injection molding machines, die casting machines, electronic controls, high-precision machines, and industrial robots, to name but a few. By accumulating and developing the technologies associated with such machines, we have built eight technological platforms. Based on these technological platforms, we develop and manufacture many types of advanced industrial equipment and provide optimal solutions cultivated over many years.

RESEARCH AND DEVELOPMENT

Our R&D Center—Revealing the Possibilities for New Technologies and Businesses

Established in April 2020, the R&D Center is a new base for the creation of SHIBAURA MACHINE's state-of-the-art technologies and businesses. Without being limited to existing business fields, the center is conducting research and developing new technologies based on a long-term view of both society and SHIBAURA MACHINE. Through this farsighted approach, the center will create new businesses and industries and contribute to the sustainable development of society for the next 10 years, 20 years, and beyond.

Helping Address Social Issues through Our Business Activities

While developing new technologies based on our eight technological platforms, we create industrial solutions to social issues. We are proud to say that, in response to the increase in carbon neutrality initiatives, we are making and will continue to make a broad contribution to the realization of a sustainable society.

Responding to Megatrends through Technology Development

The R&D Center researches and develops new technologies by taking as starting points megatrends that the manufacturing industry is facing—such as climate change, resource shortages, demographic changes, and technological advances—and then calculating backwards from the technologies that will be needed in the future. We create technologies with the functions and performance that will be required by bringing together element technologies from across our in-house companies and making full use of knowledge, experience, and information. By honing the development of existing technologies, such as IoT and 3D Metal Additive Manufacturing Equipment, while accelerating the development of new core technologies, we will help overcome issues in various industries that support society, including those engaged in the production of automobiles, rechargeable batteries, medicine, renewable energy, next-generation communications, food, and infrastructure.

Megatrends (Challenges facing manufacturing industry)		SHIBAURA MACHINE's technological platforms for responding to challenges							
Climate change and resource scarcity	Realizing GHG-reduced products, technologies, and materials	1	2	3	4	5	6	7	8
	Realizing resource-saving / energy-saving technologies	1	2	3	4	5	6	7	8
	Improving efficiency of and spreading energy creation	1	2	3	4	5	6	7	8
	Improving performance of and spreading energy storage devices	1	2	3	4	5	6	7	8
Rapid urbanization and changes in population structures	Realizing robots that can symbiotically coexist with humans	1	2	3	4	5	6	7	8
	Realizing autonomous production lines	1	2	3	4	5	6	7	8
	Upgrading and spreading water purification technologies	1	2	3	4	5	6	7	8
	Upgrading and spreading sterilization technologies	1	2	3	4	5	6	7	8
Advancements in technology	Realizing new materials that provide novel functions	1	2	3	4	5	6	7	8
	Spreading next-generation communications (5G / 6G)	1	2	3	4	5	6	7	8
	Upgrading and evolving weight-saving technologies	1	2	3	4	5	6	7	8
	Upgrading and spreading intelligent devices	1	2	3	4	5	6	7	8

TRANSFORMATION

Transforming Ourselves So That We Can Continue Contributing to Key Industries

DIGITAL TRANSFORMATION

Creating the Future through “SHIBAURA DX”

By merging the real and the digital, “SHIBAURA DX” (digital transformation) will allow us to create high-value-added products that address all manner of social issues and to realize an organization that responds flexibly to change.

In virtual spaces, we will recreate our craftsmanship through digital transformation that facilitates the building of databases for the aggregation of diverse data from our operations and the leveraging of analytics technologies, simulation technologies, AI, and the IoT. Utilizing the capabilities established by “SHIBAURA DX,” we will work closely with customers at all stages of their production and offer customers integrated packages comprising new services and products.

Given the responsibility the manufacturing industry has to create and develop technologies as well as the possibility of labor shortages becoming a major issue in the industry, passing on skills from person to person could become an urgent task. We believe that the “SHIBAURA DX” initiative is one way to solve the issue of passing on skills. Therefore, in contributing to the sustained advancement of the manufacturing industry, our first priority is to realize groundbreaking technologies and business innovation through “SHIBAURA DX.”

INNOVATION

Innovating Manufacturing to Grow Corporate Value

Although focusing on the manufacture of individual products that cater to the particular needs of each customer is a differentiating factor, this approach has given rise to a variety of inefficiencies. The “SHIBAURA DX” initiative will create new value by realizing spaces that integrate the real and the virtual at operational stages ranging from design, product development, and verification through to production, services, and marketing. At the same time, the initiative will help create new ways of working and as well as lifestyles that are built around the needs of individuals.

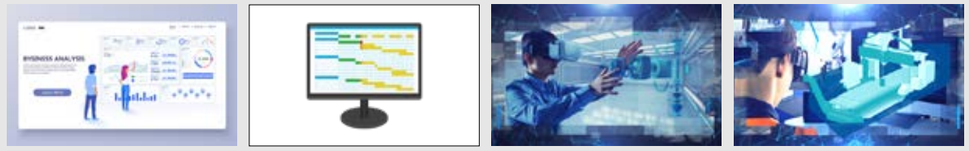
Our digital transformation of manufacturing will allow us to utilize information infrastructure to digitally connect all processes and develop them to a 99.7% degree of completion in virtual spaces. In this type of digital transformation, development, manufacturing, sales, and maintenance can be recreated in virtual spaces, enabling not only development but also the verification of prototypes and installation. These capabilities will allow us to create a virtual lab that merges the real and the virtual and thereby steps up the pace of development. At the same time, we will heighten profitability by eliminating the issues inherent in our business model, raising productivity, making high-value-added products, and increasing customer satisfaction in relation to all of our business processes.

SMART FACTORY

Evolving Manufacturing through Smart Factories

SHIBAURA MACHINE will digitally transform its operating sites to heighten production efficiency for single item indent products. We will link and evolve all processes by coordinating management systems with unified digital data that is derived from information on production activities. This will include information on personnel as well as data acquired from the use of the IoT for sensing, visualization of operations, predictive maintenance that reduces machine failures, and improvement of material handling efficiency. Moreover, through AI-enabled analysis of the aforementioned unified digital data, we will drastically improve productivity in terms of rapidity, cost, and flexibility, enhance quality, and eliminate labor shortages. SHIBAURA MACHINE will digitally transform manufacturing by feeding back to virtual spaces a range of digital data accumulated from production sites, analyzing it, and realizing digital twins that show how to optimize real-world production conditions.

“SHIBAURA DX” Vision



Realizing spaces that integrate the real and virtual

Pros and Cons of SHIBAURA MACHINE’s business model

Pros: Manufacturing only SHIBAURA MACHINE can achieve

- Contribution to the resolution of each customer’s unique issues through the provision of customized special-purpose products
- Realization of high levels of precision and durability that increase the return on investment for customers
- Contribution to the heightening of customers’ competitiveness throughout entire life cycles

Cons: A variety of inherent management losses

- Long manufacturing cycles and frequent retrograde adjustments to processes
- Huge number of development and design man-hours as a result of single-product production
- Multiple business models with different manufacturing cycles and asset utilization methods

“SHIBAURA DX” Benefits

Eliminating inefficiencies inherent in the business model and increasing profitability

- ☑ Improving the efficiency of development processes (shortening lead times, etc.)
- ☑ Reducing retrograde adjustments in manufacturing processes
- ☑ Providing maintenance services that are more precise and timelier
- ☑ Realizing higher quality
- ☑ Generating synergies among businesses through data sharing
- ☑ Creating high-value-added products

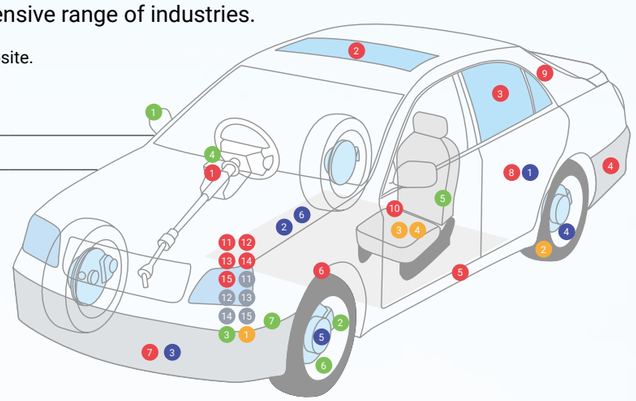
SHIBAURA MACHINE Products—Supporting Key Industries

By capitalizing on its eight technological platforms, SHIBAURA MACHINE delivers differentiated value that meets customers' demanding standards in an extensive range of industries.

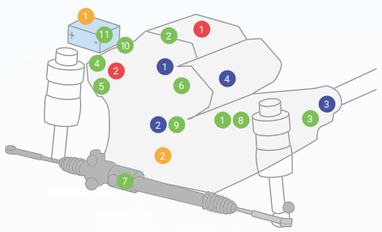
For details, please visit the product information section of our website.

https://www.shibaura-machine.co.jp/en/product/

Automotive Industry



Engine



1 Engine head cover
2 Intake manifold

1 Oil separator
2 Head cover
3 Valve body
4 Water pump bracket
5 Oil pump bracket
6 Front case
7 Rack housing
8 Transmission case

9 Oil pan
10 Engine block
11 Battery case

1 Separator film for battery
2 Fuel cell material for electric vehicle

1 Turbo impeller
2 Crank shaft
3 Clutch housing
4 Engine block mold

Body

1 Cowl louver
2 Sunroof
3 Door glass
4 Rear fender
5 Rocker molding
6 Over fender
7 Bumper
8 Door trim
9 Pillar
10 Rear garnish

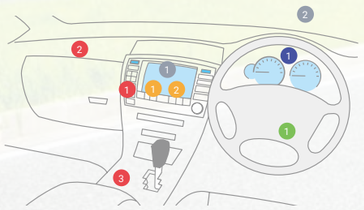
11 11 Lamp cover
12 12 Led diffusion lens
13 13 Headlight lens
14 14 Headlight reflector
15 15 Clearance lamp

1 Side mirror housing
2 Brake caliper
3 Headlight case
4 Steering body
5 Seat frame
6 Wheel
7 Sub frame

1 Lamp cover
2 Tire
3 Interior decoration material elastomer sheet
4 Forming sheet

1 Door trim
2 Frame
3 Bumper
4 Wheel
5 Constant velocity universal joint
6 Copper plate

Interior



1 Switch
2 Dashboard
3 Console box

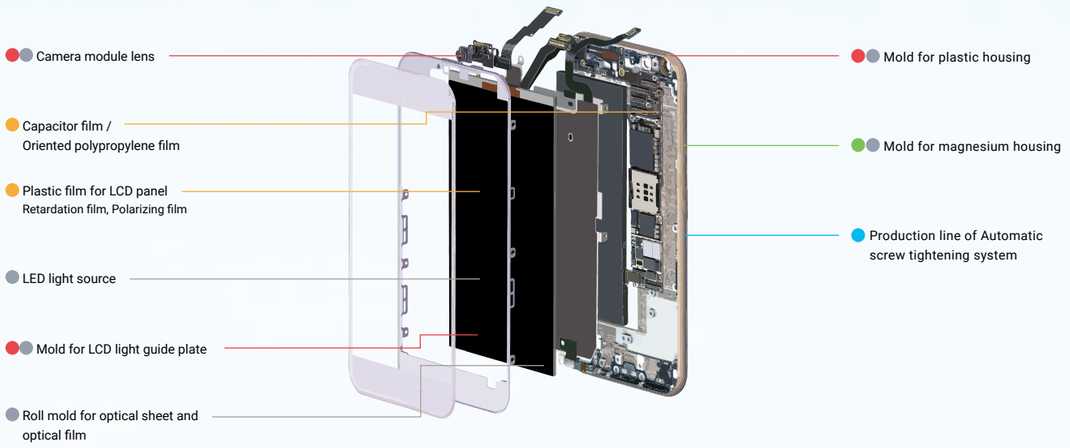
1 Steering wheal

1 LCD, OLED display materials
2 Printed board

1 Instrument panel

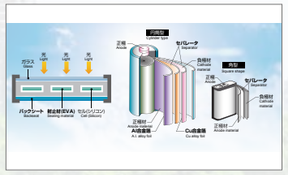
1 Car navigation system
2 Head-up display

Smartphone Industry



Energy Industries

- Separator film for lithium-ion secondary batteries
- Backsheet and sealing material for solar cells



- For tube plate of the heat exchanger, boiler
- For rotation part of the wind mill

Food-Related Industries

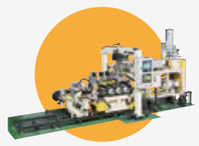
- Heat-resistant tableware made of plant-based resin

- Plastic sheet for food packaging

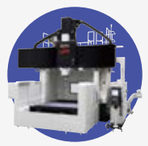
Injection Molding Machines

Die Casting Machines

Extrusion Machines



Machine Tools

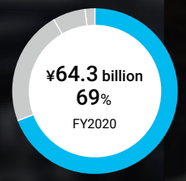


High-Precision Machines, Glass Mold Press Machines

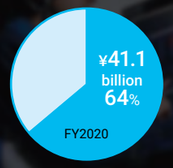
Electronic Controls

Metal & Plastics Industrial Machine Company

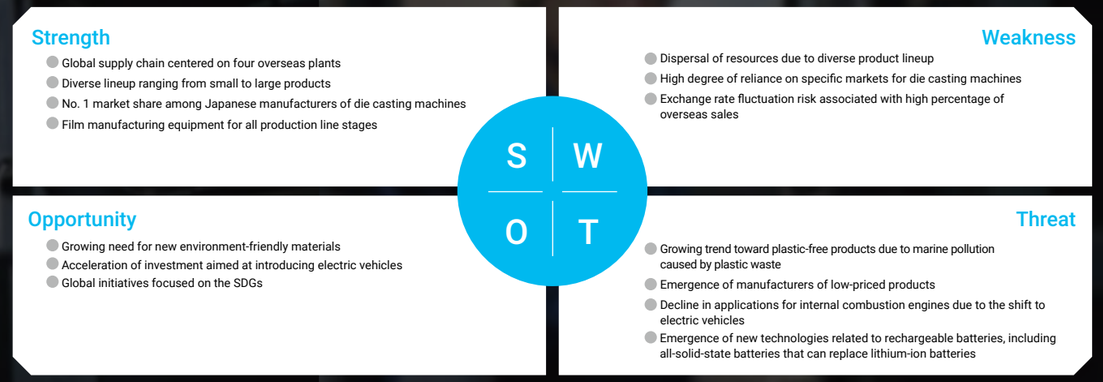
Net Sales



Overseas Sales Ratio



With “molding” as its key word, the Metal & Plastics Industrial Machine (M&P) Company is engaged in businesses focused on injection molding machines and extrusion machines for molding plastic resins as well as die casting machines for casting aluminum and magnesium. Primarily used in the automotive industry, the M&P Company’s products also contribute to a wide range of other fields, including the telecommunications, optics, medicine, and food.



Main Products

- Injection molding machines
- Die casting machines
- Twin-screw extruder
- Film manufacturing equipment

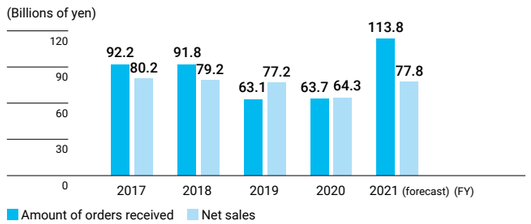
Injection molding machine
(EC650SX III)

Die casting machine
(DC800R)

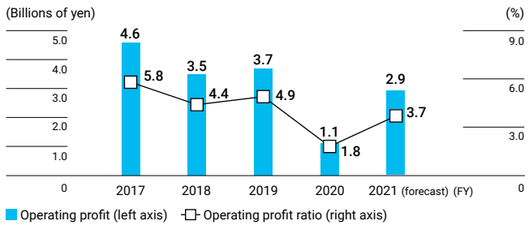
Extrusion machine
(SFPU-30150W)

Performance Summary

Amount of Orders Received / Net Sales



Operating Profit / Operating Profit Ratio



Business Overview

Injection Molding Machines

We have four injection molding machine plants in Japan and overseas. By utilizing abundant know-how cultivated over many years as well as the latest technologies, we provide products and services that are useful in trailblazing industrial fields, such as automotive manufacturing, medicine, information and communications, and semiconductor manufacturing. Going forward, we will utilize IoT technologies and digital technologies to provide high-value-added services. In conjunction with these efforts, we will provide proactive support through our value chain, thereby realizing optimal solutions for our customers.

Die Casting Machines

Based on a track record that has given us the No. 1 market share among Japanese manufacturers of die casting machines, we actively provide advanced technologies that meet the needs of the times, mainly in the automotive and telecommunications industries. We will exploit the lightness, high rigidity, recyclability, and other advantages of die casting products to realize offerings with superior characteristics that contribute to the further development of the automotive industry, including the electric vehicle market, which is expected to grow.

Extrusion Machines

The M&P Company is a pioneer in the area of twin screw kneading extruders. We manufacture equipment for all extrusion processes from upstream through to downstream. For plastic products, we offer twin screw kneading extruders, sheet manufacturing equipment, film manufacturing equipment, coaters, and roll-to-roll equipment. In recent years, we have been moving forward with the development of leading-edge technologies in relation to LiB separator film production lines, an area that is seeing rapid growth in demand. We have also been developing advanced technologies for film manufacturing equipment for the optical, food packaging, 5G, and medical industries; coating; and imprinting. By enabling the manufacture of high-performance films and sheets, we are contributing to the realization of next-generation technologies.

Business Management

With manufacturing bases in Japan, China, Thailand, and India, we are advancing initiatives aimed at local production for local consumption by developing businesses and offering solutions through our bases around the world. We will provide the world’s No.1 casting and molding products and services to maximize the customer experience and value gained by purchasing our products in Japan and overseas.

The automotive industry, which is the mainstay field of the M&P Company, is undergoing major changes as electric vehicles are introduced with a view to society’s decarbonization. Capable of catering to the need for the molding of lighter, stronger products that incorporate multiple colors and materials, our production technologies—such as LiB separator film production lines, injection molding machines, and die casting machines—will help the automotive industry advance into the CASE (connected, autonomous, shared and service, and electric) era. In addition, we will offer the best solutions to customers’ SDG-related issues through initiatives for biodegradable plastics and new materials that reduce environmental impact.

Value Creation

Results and topics of fiscal 2020 measures

- Injection molding machines: China recovered from the pandemic, and our bases catered to the growing demand for medical-related products by delivering products in line with customer specifications and deadlines.
- Die casting machines: We released the industry’s first large electric die casting machine, which realizes energy-saving and high-cycle performance. The DC1100/1300R-E, a high-productivity, low-environmental-impact die casting machine, received a Special Jury Prize at the 51st Machine Industry Design Awards, organized by IDEA.
- Extrusion machines: The demand for equipment used to install LiB separator film production lines is increasing as the automotive industry transforms and switches over to electric vehicles worldwide. We are the only manufacturer that can provide manufacturing equipment for all production line stages, including extractors, and we have received inquiries and large orders from manufacturers in China, which is a global manufacturing base.

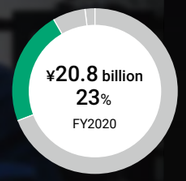
Initiatives for fiscal 2021 and beyond

- We will organize domestic production bases and increase the production capacity of plants in Thailand and India to enable the provision of optimal products to markets in the United States, China, and India, which are experiencing recoveries in demand for injection molding machines. In view of the increasing busyness of production bases in Japan and overseas, we will improve production efficiency and enhance quality, cost, and delivery.
- As the market for die casting machines is recovering from a slump, we will secure orders. Also, we will launch new models based on the development technologies that improve productivity and reduce environmental impact.
- We will increase extrusion machine production capacity to meet customer deadlines for large orders received from manufacturers in China for LiB separator film production lines.

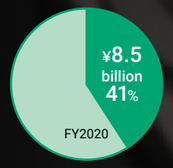
Management Strategy by Company

Machine Tools Company

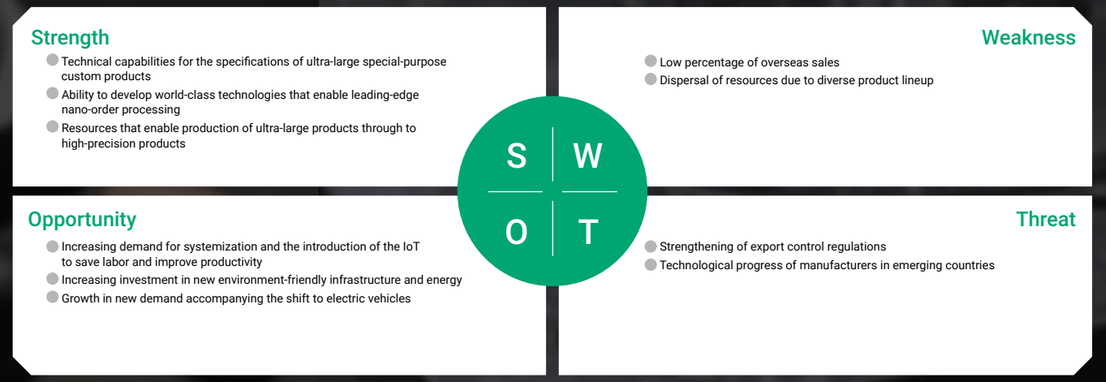
Net Sales



Overseas Sales Ratio



The Machine Tools (MT) Company contributes to the advancement of industries around the world by manufacturing, selling, servicing, and retrofitting high-precision machine tools in a wide range of fields, including natural energy; social infrastructure; the manufacture of equipment for automobiles, railroads, ships, airplanes, and other forms of transport; construction machinery; die, mold, and component machining; high-precision molding for smartphone camera lenses; and glass lens molding.



Main Products

- Double column type machining centers
- Boring machines
- High-precision aspheric and free-form surface Grinders

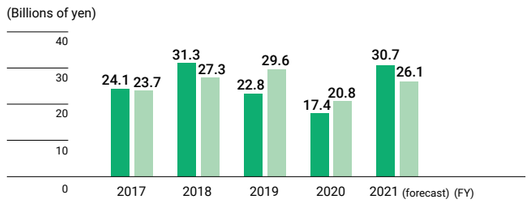
Double column type machining center (MPC-E II)

Boring machine (BTD-110H.R16)

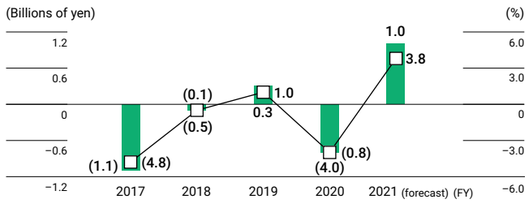
High-precision aspheric and free-form surface grinder (ULC-100F (S))

Performance Summary

Amount of Orders Received / Net Sales



Operating Profit (Loss) / Operating Profit Ratio



Business Overview

To help customers maximize value, the MT Company will establish commercial operations for manufacturing, selling, servicing, and retrofitting machine tools for a broad range of industries, from large machine tools that serve as the "mother machines" with which machine tool manufacturers produce their products through to high-precision machines that are required worldwide for the manufacture of optical components.

Machine Tools

We support manufacturing infrastructure through the products we market, which include ultra-large machine tools for the energy field, social infrastructure, industrial machinery, and machine tools; double column type machining centers and horizontal boring and milling machines for the automotive industry, transportation equipment, and construction machinery; large vertical boring and turning mills for renewable energy power generation equipment and aeroengines; bridge type multipurpose machines; horizontal high-speed machining centers for machining aircraft components; and roll grinding machines used in the high-precision grinding of mill rolls for steel.

High-Precision Machines

The Group contributes to the advancement of leading-edge markets by providing high-precision aspheric surface grinders for smartphone camera lens molds and endoscope lens die machining; high-recision optical glass molding press machines for molding automotive, security, and mirrorless camera lenses; and high-precision slicing machines for slicing semiconductor wafers.

Retrofitting Business

Available for SHIBAURA MACHINE equipment and equipment manufactured by other companies, our retrofitting is an environment-friendly method of extending the life cycles of existing machines and improving their production efficiency and precision.

Business Management

Many customers want to heighten their production efficiency by minimizing the movement of personnel through the introduction of laborsaving measures, unmanned operations, and remote maintenance, and we must maintain capabilities for catering immediately to such customers. Accordingly, we will analyze how we can be of use to customers and continue optimizing our product portfolio. Further, by circulating customer feedback in-house and setting benchmarks, we will advance the development and marketing of products aimed at realizing the SDGs.

For large machine tools, we will foray into fields where infrastructure projects are driving growth, such as automobiles, aircraft, energy, and environmental initiatives. As for regions, in addition to the mainstay regions of North America and China, we will strengthen our presence in India and Europe to raise the percentage of exports and increase the scale of our business. In addition, through the "SHIBAURA DX" initiative—which is transforming our entire manufacturing process and making it more efficient by leveraging advanced technologies in such front-end processes as marketing and design—we will evolve the large special-purpose machines that are our forte into machines with high levels of efficiency that are comparable with those of general-purpose machines.

We will continue to hone our world-class technologies for high-precision machining and step up the development and sales of high-precision machines for advanced businesses, such as smartphones, automotive optics, and semiconductors. Also, we will increase the scale of the high-precision machines business by adding Europe's precision components market to our current overseas markets—which are dependent on China—and by entering new medical markets.

Value Creation

Results and topics of fiscal 2020 measures

- We improved the manufacturing process for tanks and containers by applying conventional "milling + friction stir welding (FSW)" technology to realize "Turning + FSW" technology.
- In pursuit of value-added cutting, we advanced research and development for 3D modeling.
- Orders and sales related to wind power generation increased on the back of demand for renewable energy.
- Orders and sales for onboard cameras rose due to the promotion of autonomous driving.

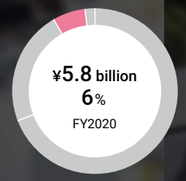
Initiatives for fiscal 2021 and beyond

- For machine tools, we will focus on fields that promise growth, such as automobiles, aircraft, energy, and the environment. Most recently, we developed a large high-speed multipurpose machine aimed at improving productivity in relation to large components for wind power and hydroelectric power generation, which are increasing in size. We will use the new machine to help customers improve their production efficiency.
- With respect to high-precision machines, we will continue enhancing the accuracy of high-precision aspheric surface grinders, develop equipment that realizes the precision sought by the market, and help customers develop new products and improve the performance of their existing products.
- With the introduction of the in-house company system, we will accelerate the integration of resources for machine tools and high-precision machines while revising our product portfolio and raising our technological capabilities, production efficiency, and quality to even higher levels.

Management Strategy by Company

Control Systems Company

Net Sales



Overseas Sales Ratio

As well as unique development competence that realizes constant evolution and optimization, the Control Systems (CS) Company has adaptability that is based on a thorough knowledge of all kinds of manufacturing sites. We use these advantages to contribute to automation, labor-saving, and efficiency improvement in a wide range of operations at manufacturing sites, including assembly, inspection, and conveyance. Also, our extensive capabilities are enabling the creation and expansion of control solution businesses in the global market.

Strength

- Control technology know-how cultivated in the machine tool and molding machine fields
- Establishment of servo technology as the basis of control
- Robot control technology cultivated through the commercialization of SCARA robots since their earliest days
- An overseas production system that enables local production and local consumption of robots

Weakness

- Dispersal of resources due to high-mix, low-volume production
- Dependence on specific customers

S W O T

Opportunity

- Increasing need for unmanned and labor-saving systems
- Growing demand for semiconductor manufacturing equipment due to the spread of 5G
- Rising demand for new robots due to the shift to electric vehicles
- Increasing demand for servos due to the expansion of electrification in various industries

Threat

- Rise of manufacturers of inexpensive robots in China
- Stricter safety standards and regulations in each country
- Lengthening of delivery times and higher costs for components and materials, including semiconductor components

Main Products

- Industrial robots
- FA controller, Servo systems
- Linear motors
- System engineering

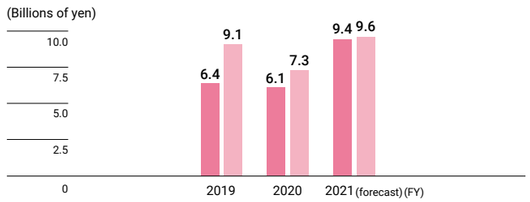

Industrial robot (THE400)


Servo amplifier (NCBOY-120)


Controller (V70)

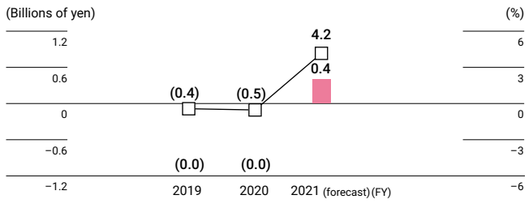
Performance Summary

Amount of Orders Received / Net Sales



Note 1: As of fiscal 2020, the classification of industrial robots and electronic controls has been changed from the Others segment to the Control Systems segment.
Note 2: In the above graph, net sales include intersegment sales.

Operating Profit (Loss) / Operating Profit Ratio



Business Overview

We develop various types of robots, including SCARA, cartesian coordinate, painting, and vertical multi-articulated robots. Our robots are used for numerous conveyance and assembly applications at the manufacturing sites of smartphones and electronic devices, electric vehicle batteries, and automotive components. In response to the increasing diversity and complexity of work, we are also currently developing collaborative robots, intelligent robots, and IoT-enabled robots. Used in a wide range of equipment, our servo systems maintain high precision and stable performance even in harsh environments and improve cycle time by reducing settling time. Meanwhile, we provide linear motors suitable for building high-speed, high-precision stages that meet customer needs—from ultra-large stages to small stages used in semiconductor manufacturing equipment—by exploiting know-how gained from our long experience in the development and manufacture of large machine tools. In addition, the CS Company offers automation systems best suited to solving the various issues that our customers face, including the designing of production line automation as well as production line labor-saving and acceleration.

Business Management

Regarding industrial robots, for the new-model SCARA robot THE600 and the new robot controller TS5000, we are working with local sales bases and partners mainly in East and Southeast Asia to capture major customers in the automobile, smartphone, and electric vehicle industries. Further, with the aim of further increasing sales of SCARA robots, we will advance the procurement of important components in China, and for production in the country we will pursue local production for local consumption. As for the domestic market, the CS Company will collaborate with the M&P Company and the MT Company in providing solutions based on the use of robots for the automation of pre- and post-processes, advance the packaging of systems, and heighten added value to increase the scale of sales and secure profits. Further, we will market dual-arm collaborative robots, which are being developed from a market-oriented perspective, as soon as possible and uncover demand.

We will scale up servo system operations by acquiring large customers through the provision of products and services that cater to electrification needs, which are set to become a trend in various industries going forward. Also, the CS Company will expand the system engineering business through strengthened collaboration with other in-house companies so that the CS Company can capture demand related to automation projects in areas peripheral to molding machines and machine tools and create synergistic benefits. In addition, we will build and sell logistics conveyance systems that incorporate equipment for palletizing and depalletizing cardboard and automatic unpacking to meet the growing demand for the complete integration of in-plant logistics from plant entrance to plant exit.

Value Creation

Results and topics of fiscal 2020 measures

- To increase adoption of SCARA robots for smartphone manufacturing equipment in China and contribute to production stability, we added the 600mm-arm-length THE600 to THE series products, which increase the speed and trajectory accuracy of SCARA robots.
- By incorporating new THE400 series SCARA robots into customers' screw tightening equipment, we helped improve the efficiency of stable screw tightening operations in the manufacture of smartphones and automotive electrical components.
- We helped increase the booming semiconductor industry's production capacity by supplying linear motors for semiconductor manufacturing equipment.
- In anticipation of growing demand for robots going forward, we strengthened our support system for local sales in Southeast Asia.
- We developed new customers by introducing palletizing equipment for the logistics industry.

Initiatives for fiscal 2021 and beyond

- We will make inroads into the electric vehicle rechargeable battery industry by developing SCARA robots with payload capabilities.
- To expand the system engineering business, we will strengthen capabilities and strongly promote the development of new markets.
- We will penetrate the logistics industry by catering to in-plant logistics needs through the building of systems that incorporate equipment for palletizing and depalletizing cardboard and automatic unpacking.
- In line with the shift toward electrification in various industries, we will advance product development with a view to acquiring major customers for servo systems. At the same time, we will establish capabilities for the mass production of servo systems as soon as possible.

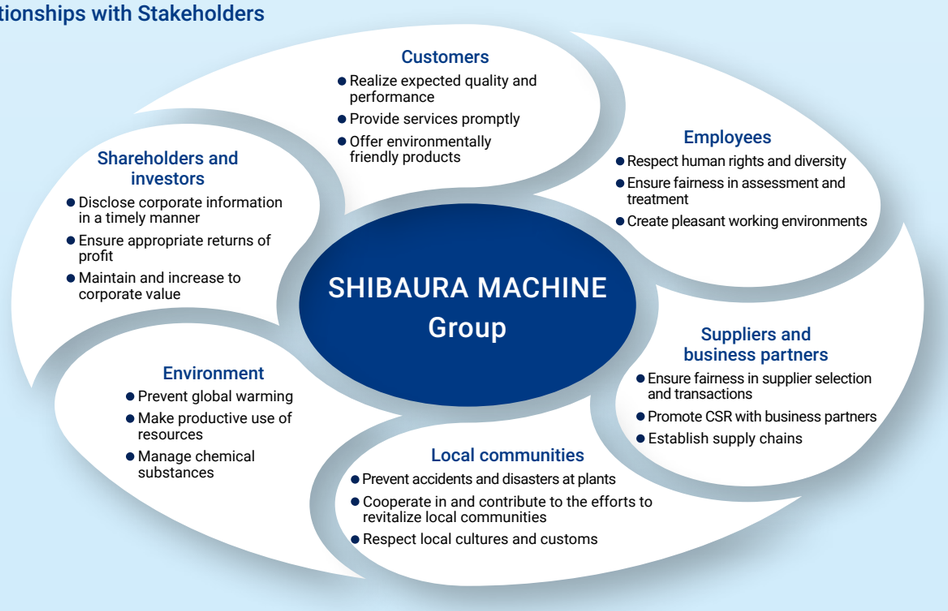
Sustainability Management of SHIBAURA MACHINE

As a supporter of manufacturing worldwide, the SHIBAURA MACHINE Group will address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends. We conduct business activities in countries and regions around the world. To leave a rich global environment for future generations and contribute to the sustainable development of society, we will make sustainability considerations the drivers of business management and continue to take into account the viewpoints of all our stakeholders around the world, including customers, shareholders, and investors, suppliers, and business partners, employees, and local communities.

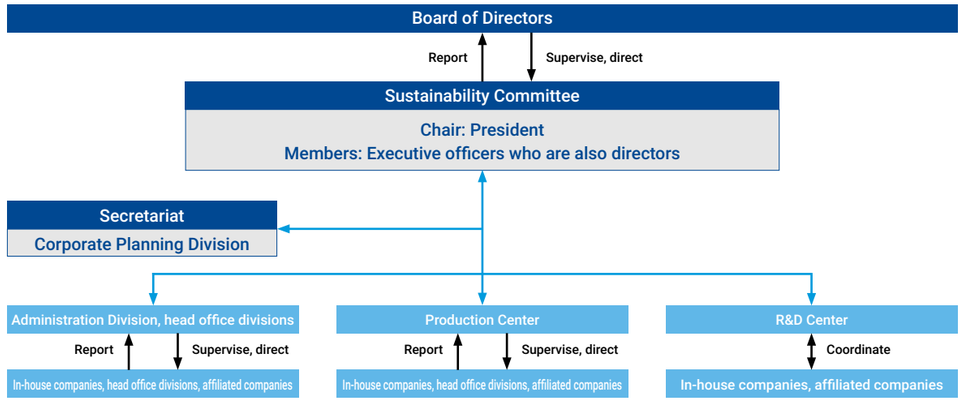
New “SHIBAURA MACHINE” Long-Term Vision 2030

Address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends

Relationships with Stakeholders



Sustainability Advancement System



Recommendations are made to executive bodies to ensure that the SHIBAURA MACHINE Group’s activities help sustain the development of the Group and society and to ensure that these activities earn appropriate evaluations from stakeholders.

Themes of Sustainability Management Initiatives

Item	Themes	Initiatives for Major Action Plans (FY2020)
Relationships with customers	● Engineering ● Quality and safety ● Services	Advanced the development of the next-generation *machiNet* platform (enhanced and expanded the basic *machiNet* package)
Relationships with suppliers and business partners	● Procurement from business partners who are promoting environmental preservation activities ● Compliance ● Prevention of transactions with antisocial forces	Integrated procurement divisions, which had been dispersed in separate businesses, and began centralized Companywide purchasing through the Production Center Conducted a periodic green procurement survey Conducted a periodic environmental survey of 527 companies (of which 32 companies improved their ranking compared with that of the previous survey) Promoted our electronic data interchange (EDI) system (newly registered 19 companies including new business partners)
Relationships with shareholders and investors	● Enhancing investor relations activities ● Having more dialogues with institutional investors ● Increasing disclosure	Enhanced and expanded disclosure Conducted dialogues with securities analysts and institutional investors (116 times) Conducted a virtual General Meeting of Shareholders
Relationships with employees	● Human resource development ● Diversity ● Safety and health	Conducted off-line and on-line training to foster personnel capable of thinking and acting independently Planned and implemented a training curriculum that is focused on thinking and acting independently and targets new and young employees Promoted the empowerment of diverse personnel, implemented remote working as part of workstyle reform, and encouraged the use of childcare and nursing care systems Developed our occupational safety and health management system (OSHMS), conducted various types of safety and health related-education, and advanced health and safety initiatives
Relationships with local communities	● Contributions to local communities ● Support for technical education ● Coexistence with local communities	Implemented a range of educational activities, such as work experience and factory tours Organized blood donations and participated in TABLE FOR TWO activities Participated in the environmental activities of 17 external organizations
Environmental Initiatives	● Strengthening the environmental management system ● Reducing environmental load ● Global warming prevention ● Pollution control	Environmental impact reduction Tackled the environment-related goals of the SDGs Formulated and advanced our Second Environmental Action Plan (2021–2025) Promoted the introduction of eco-cars to the Company-owned fleet (43.2%)

Quality Assurance

Relationships with customers

In order to offer products and services that satisfy customers, the SHIBAURA MACHINE Group is striving to standardize and improve not only product safety and quality but also its after-sales services and corporate image.

Establishment of a Quality Policy

SHIBAURA MACHINE Group Quality Policy for Fiscal 2020

As well as providing products, systems, and services that satisfy the needs of customers around the world, the SHIBAURA MACHINE Group fulfills its quality assurance responsibilities with respect to these offerings and ensures their safety, thereby contributing to the advancement of daily life and culture and increasing the Group's corporate value. Therefore, we have established the SHIBAURA MACHINE Group Quality Policy to guide activities that are aimed at promoting effective quality control.

- Putting customer satisfaction before everything
  We will accurately grasp and analyze customer demand, both potential and manifest, and continue our improvement activities, considering customer satisfaction first and foremost.
- Enhancing the quality of our sales, engineering, manufacturing, and service activities
  We will enhance work quality in every division by encouraging each employee to take the initiative in managing all processes and incorporating IT into initiatives that improve process systems and methods, based on the idea that downstream processes are "the customer."
- Advancing our quality management systems
  We will realize improvements and other quality management activities by managing the operations of quality management systems effectively and efficiently.
- Complying with laws and regulations
  We will always be aware of and comply with the requirements of laws, regulations, etc., relevant to product quality and safety.

Product Safety Initiatives

In order to ensure the safety of customers, we observe relevant laws and regulations and make willing, good-faith information disclosures to customers.

Initiatives for Quality Enhancement

Advancing Quality-Related Capabilities to Improve Quality

Our total quality management (TQM) activities pursue and continuously improve quality and added value so that we can provide even better products and services that reflect the diversifying needs of customers.

We are creating a system that allows customers to use our machines with peace of mind. Specifically, in the unlikely event that a quality complaint arises in relation to a product or service, the cause is investigated and countermeasures are taken under the supervision of a quality assurance manager.

Holding Study Sessions to Heighten Safety and Quality

We use a variety of methods to prevent and solve safety and quality issues.

As 90% of the safety and quality of a product is determined at the design stage, engineering divisions regularly hold blueprint study sessions at this stage to identify and rectify potential causes of failures or accidents.

Personnel from engineering, manufacturing, and service divisions and affiliated companies are invited to participate in training seminars that are conducted by highly experienced engineers.

Supply Chain Management

Relationships with suppliers and business partners

The material departments of the SHIBAURA MACHINE Group consider environmental preservation, procurement standards, and compliance to be three major elements of CSR procurement.

SHIBAURA MACHINE Group Procurement Policy

The SHIBAURA MACHINE Group conducts procurement activities based on relationships of trust with suppliers and other business partners that have been cultivated through fair transactions in compliance with procurement-related laws and regulations and social norms.

Further, when conducting new business transactions, the SHIBAURA MACHINE Group gives priority to business partners who have endorsed procurement based on corporate social responsibility (CSR).

Procurement Standards

Our activities are pursuant to the SHIBAURA MACHINE Group Code of Conduct, which emphasizes the need to understand international norms regarding human rights and respect fundamental human rights and also sets forth a basic policy for procurement activities.

Procurement procedures are specified in the Purchasing Management Rules and are conducted by the designated procurement departments.

Please see our Website for the SHIBAURA MACHINE Group Material Procurement Policy (Japanese only).

https://www.shibaura-machine.co.jp/jp/company/shizai/index.html

Compliance

Aiming to ensure CSR-based procurement that does not violate laws or social norms, we have instructed design personnel, who are the starting point of production activities, in relation to improvements and countermeasures, particularly with regard to such laws as the Subcontract Act, knowledge of which is indispensable for such personnel.

Compliance with the Subcontract Act

To ensure appropriate subcontracting transactions, internal audits and education based on the Subcontract Act are conducted by the Group in Japan (six divisions).

Also, e-learning has been used to train employees, including those of domestic Group companies.

Education and Audits

- Conducted internal compliance education (at three different times during the year; 98 persons participated)
- Conducted internal procurement audits (at six different times during the year)
- Participated in third-party seminars (including web-based workshops), etc.

Green Procurement

Committed to passing the environment of this one and only planet on to next generations in a healthy condition, the SHIBAURA MACHINE Group promotes the procurement of products, parts, materials, and raw materials that lessen environmental load, for the purpose of and as an integral part of developing environmentally friendly products (green procurement).

Our material departments established the Green Procurement Guidelines to set forth procurement policies, evaluation, and judgment criteria. The Green Procurement Guidelines were revised in April 2020, and the list of environment-related substances was reviewed and expanded. Our entire supply chain is environmentally conscious in its procurement activities.

Transition to Centralized Purchasing

In fiscal 2020, we conducted a reorganization and implemented centralized purchasing. By centralizing the management of buyers and suppliers, we will improve operational efficiency and strengthen compliance.

Procurement from business partners who are promoting environmental preservation activities

Environmental preservation activities by business partners should basically be their own initiatives, but we assist them with their improvement activities if necessary. In fiscal 2020, we conducted periodic environmental surveys at 527 companies.

Risk management

We have Groupwide risk management systems.

Supply chain reporting system

Please visit our website for information about our supply chain reporting system (Japanese only).

https://www.shibaura-machine.co.jp/jp/company/shizai/partnerline.html

Global procurement

We have built a global procurement network that enables us to integrate procurement information possessed by overseas production facilities and identify the most appropriate sources in terms of required delivery date, quality, and pricing. In East and Southeast Asia, we will establish local production and consumption systems and use optimal procurement networks for cost reductions.

Promoting environmental activities with a new EDI system

We use an EDI (electronic data interchange) system in our purchasing transactions to reduce the need to send and receive slips and documents to or from business partners by telephone, email, facsimile, or regular mail, in addition to making processes paperless to curtail shipping and paper costs.

IR and SR Activities

Relationships with shareholders and investors

We provide information through various channels and on various interactive occasions so our shareholders and investors will deepen their understanding of the SHIBAURA MACHINE Group.

Basic Policy on Information Disclosure

The SHIBAURA MACHINE Group discloses various corporate information, such as its Basic Commitment, Code of Conduct, financial statements, and other financial information, in a timely and appropriate manner so shareholders, investors, business partners, local community residents, and other stakeholders can gain a correct knowledge of the Group's present condition.

Also, whenever important corporate information arises, it is disclosed promptly, accurately, and fairly.

To ensure that constructive dialogue with shareholders contributes to our sustained growth and medium- to long-term corporate value, we have established the Policy on Systems and Initiatives for the Promotion of Shareholder Dialogue. Further, to realize equitable disclosure to investors, we have established the SHIBAURA MACHINE Disclosure Policy as a guideline on disclosure to shareholders and investors.

Disclosure Policy

https://www.shibaura-machine.co.jp/en/ir/DisclosurePolicy.html

In addition, to prevent insider trading, we conduct strict information management and strive to prevent information leaks prior to disclosure.

Investor Relations Activities

The SHIBAURA MACHINE Group conducts a range of investor relations activities for securities analysts and institutional investors with the aim of continuously increasing the corporate value of the Group.

In fiscal 2020, we held two financial results briefings, at the end of the fiscal year and at the end of the second quarter, in which the president explained the details of and progress under the medium-term management plan, the Management Reform Plan. The president also held dialogues with overseas institutional investors to deepen their understanding of the Group. Furthermore, the Public and Investor Relations Division increased and enhanced dialogue by holding 116 investor relations meetings.

Through regular reporting to the Board of Directors, opinions and recommendations obtained from constructive dialogue are fed back to the senior management team and actively used in enhancing business management.

Communication with Investors and the General Meeting of Shareholders

SHIBAURA MACHINE recognizes the importance of the General Meeting of Shareholders as a venue for direct communication with shareholders.

As part of its efforts to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, we send convocation notices early and disclose them on our website before they are sent so that shareholders can fully examine the proposals of the meeting. In addition, to enable as many shareholders as possible to attend, we avoid holding the meeting on dates when numerous companies hold shareholder meetings. Also, for the exercise of voting rights, we have adopted electronic voting via the internet and smartphones. In response to an increase in the number of non-Japanese shareholders, we have translated part of the convocation notice into English and used a platform for the electronic exercising of voting rights since the fiscal 2016 General Meeting of Shareholders.

At the General Meeting of Shareholders, we update shareholders on our progress in a readily understandable manner by providing graphic illustrations of the business overview, business plans, and strategies.

Taking into consideration the importance of diversifying the meeting by catering to those wishing to attend via digital technologies and providing more opportunities for shareholder participation as well as the convening of the meeting during the COVID-19 pandemic, in June 2021 we held the 98th Ordinary General Meeting of Shareholders, which focused on fiscal 2020, as a virtual meeting with hybrid participation.

The virtual convening of the 98th Ordinary General Meeting of Shareholders

Enhancement and Expansion of Disclosure

In fiscal 2020, as part of efforts to enhance and expand disclosure, we extended its scope and enhanced the content of supplementary explanatory materials for financial results. Furthermore, we increased disclosure frequency by changing from semiannual to quarterly disclosure on our website.

In addition, we posted English translations of our medium-term management plan and other documents on our website as a measure for overseas investors.

Human Resource Development

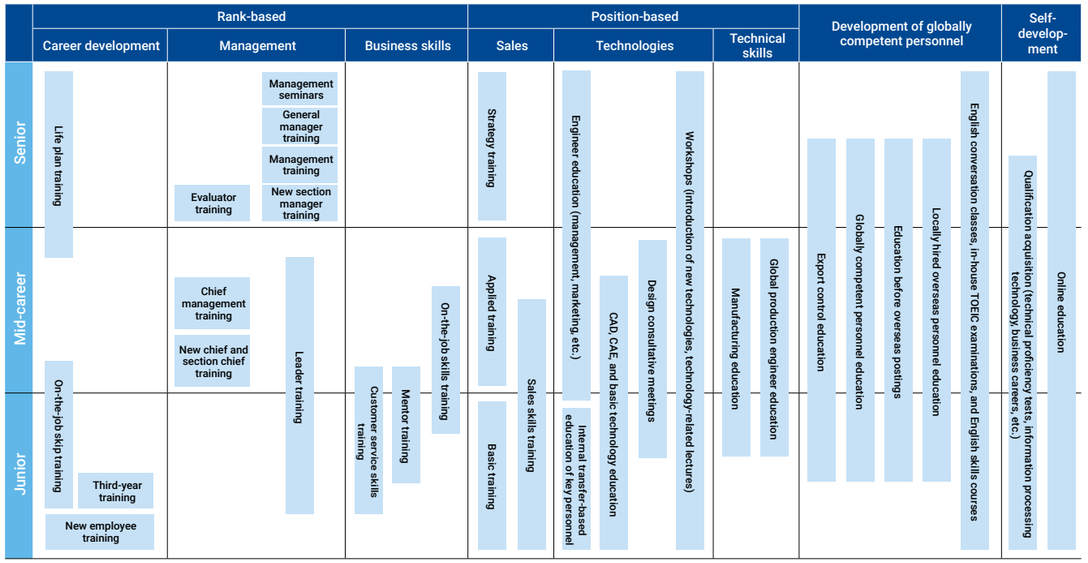
Relationships with employees

By focusing on the passing on of skills, the acquisition of new skills, and the development of globally competent personnel, we are developing and acquiring the personnel who will form the basis for advancement of the new SHIBAURA MACHINE.

Education Systems

The SHIBAURA MACHINE Group offers on-the-job training and a wide range of education and training for all Group personnel regarding specific areas of expertise necessary for specific roles and positions so that they can demonstrate their capabilities to the fullest and accomplish their goals.

We also have human resource development programs for employees of differing experience, from new hires to experienced employees, including global human resource development, compliance education, technique and skills improvement and transfer, and self-directed development.



Engineer Training

The SHIBAURA MACHINE Group provides engineer education for mid-career and junior engineers, who will be the leaders of the future. Our training improves skills directly related to work by covering a wide range of topics, from basic technology acquisition and computer-aided design education through to the acquisition of certification as a professional engineer. As well as providing training on design and technical drawing, we ensure that our engineers acquire other essential skills and knowledge related to marketing strategies, languages, and basic manufacturing, thereby developing personnel who can play active roles in many different fields.

Global Human Resource Development

We have two programs for developing personnel who can work in a global marketplace: training for globally competent production engineers and training for globally competent personnel. Another objective of these programs is to have trainees study together and thereby create cross-divisional connections in the Group.

(Persons)

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020
Global production engineer education	8	7	9	7	
Global human resource development education	8	6	8	7	

* Due to the impact of COVID-19, these programs were suspended in the middle of fiscal 2019 and resumed in fiscal 2020.

Diversity and Inclusion Initiatives

Relationships with employees

Respect for Human Rights

The SHIBAURA MACHINE established the SHIBAURA MACHINE Group Code of Conduct pursuant to which it will respect fundamental human rights and diversity and provide support in the realization of a work–life balance.

- We abide by the laws and regulations of all countries and regions, understand international norms regarding human rights, and respect fundamental human rights. We do not tolerate child labor and forced labor.
- If any violation of fundamental human rights happens in the SHIBAURA MACHINE Group, we will take appropriate action. If any supplier is found to be violating fundamental human rights, we will require it to take remedial action.
- We hold ongoing dialogues with relevant stakeholders in order to respect human rights.
- We provide an environment in which employees can work creatively and efficiently, supporting them in the realization of a work–life balance.
- We endeavor to realize a working environment that is safe and pleasant to work in.

Addressing Diversity

Relationships with employees

The SHIBAURA MACHINE Group is working to promote diversity so that employees with diverse personalities can fully demonstrate their abilities.

Childcare and Family Care Support Programs and Their Uses

In the past five years, all eligible female employees have taken childcare leave, over 90% of whom returned following the conclusion of such leave. Other mechanisms for supporting work–life balance include shorter working hours, overtime exemption upon request, and leave entitlement carryovers that can now be used for short-term family care purposes.

Working Environments Supporting Childcare Leave and Facilitating Long Service of Employment

The average length of service of employees in fiscal 2020 was 18.2 years (18.1 years for men and 19.1 years for women),* and this indicates that long service by many employees is one of our characteristics. With regard to resignations, the main contributing factor over the past five years has been the departure of young employees, which has been on the rise in recent years. As a measure to prevent this, we are strengthening career education.

* SHIBAURA MACHINE Co., Ltd., only

Promotion of the Employment of Diverse Personnel

We promote employment based on personal skills and qualifications, not on gender, nationality, age, or the like, thus ensuring the assignment of the right personnel to the right positions.

(Persons)

Fiscal year	2016	2017	2018	2019	2020
Persons who took childcare leave male employees in parentheses	7 (1)	5 (1)	9 (2)	12 (6)	11 (8)
Percentage of those returning from childcare leave	100%	100%	100%	100%	91.6%
Persons who took family care leave	0	0	0	1	0
Persons who used the short working hour program (for childcare)	5	9	10	9	3
Persons who used the short working hour program (for family care)	0	0	0	0	0

(From fiscal 2016, the data includes five domestic affiliates.)

(Persons)

Fiscal year	2016	2017	2018	2019	2020
Resignees (female employees in parentheses)	35 (6)	32 (2)	43 (7)	30 (6)	19 (1)
Of whom, resignees for maternity or childcare reasons	1	0	0	0	0

(From fiscal 2016, the data includes five domestic affiliates.)

(Persons)

Fiscal year	2016	2017	2018	2019	2020
Non-Japanese employees	11	12	13	15	15

(From fiscal 2016, the data includes five domestic affiliates.)

Work–Life Balance

Relationships with employees

The SHIBAURA MACHINE Group carries out various initiatives to create working environments in which all employees can take pride in their work.

	Activities
Childcare and family care leave system	We offer our employees various forms of support so that they can fulfill their childcare and family responsibilities with peace of mind. [Specific forms of support available] Maternity leave, extended leave for childcare, nursing care leave, extended leave for family care, family care leave, and shorter working hours
Promotion of planning and taking annual paid leave	The taking of annual paid leave in a planned manner is encouraged. For example, we have introduced a system for taking leave on important occasions (birthdays, etc.) as well as a system that allows for taking leave as required, including leave in half-day increments and leave for three consecutive days (or leave for two consecutive days twice at different times).
Accumulated reserve leave	A system for using accumulated paid leave for long-term recuperation or volunteer activities
Setting a contact point for reporting cases of harassment	We have a contact point for consultation on harassment issues and provide education to prevent cases of harassment in order to create comfortable workplaces free from harassment of any kind (sexual, power, etc.).
Registration at public entities in relation to gender equality	In Numazu, Shizuoka Prefecture, where its head office is located, the Company has registered a declaration endorsing gender equality (Shizuoka Prefecture) and registered as a promoter of gender equality (Numazu City).

Safety and Health

Relationships with employees

Safety and health management forms the foundation of business management, and the SHIBAURA MACHINE Group is committed to giving momentum to and strengthening these functions.

Development of Safety and Health Activities

The Group proactively conducts safety and health activities with the aims of creating working environments that are safe and comfortable and realizing zero industrial accidents.

Promoting Occupational Safety and Health Management Systems

Recognizing that safety and health are integral to corporate activities and based on a commitment to preventing industrial accidents and the spread of infectious diseases and to promoting employee health, we acquired OSHMS* certification for our plants. The OSHMS techniques are also applied at all Group companies to improve their safety and health management.

* Occupational safety and health management system approved by the Japan Industrial Safety & Health Association

Promoting Mental and Physical Health

The SHIBAURA MACHINE Group promotes mental and physical health so that all employees can demonstrate their capabilities to the fullest while maintaining good mental and physical health. Persons diagnosed with a physical ailment during a health examination or with a mental health issue receive individual health guidance from and have one-on-one interviews with industrial physicians and nurses. We also organize health events and educational courses so that all employees become more aware of the importance of their mental and physical health.

As countermeasures to the COVID-19 pandemic, we are strengthening employee health management; ensuring that employees wash their hands, wear masks, and keep personal distance; prohibiting unnecessary business trips; canceling internal events; implementing teleworking and web conferencing; and promoting off-peak commuting.

Giving Safety Guidance and Support to Employees

Our safety and health personnel have received Ministry of Health, Labour and Welfare qualifications as safety and health education trainers and provide various types of education to increase the safety awareness of employees.

In addition, once a month employees are selected from each department to participate in interactive safety training for small groups. The purpose of this training is to help employees understand the importance of observing safety rules and acquire knowledge about safety so that they can apply it to safety management in the workplace.

Environmental Action Plan

Environmental initiatives

The SHIBAURA MACHINE Group established the 2nd Environmental Action Plan, a five-year medium-term plan spanning fiscal 2021 to fiscal 2025, as well as a long-term plan up to 2030. These plans were prepared with reference to the COP21 international agreements and trends in Japan and overseas and cover our overseas production facilities as well. Under the plans, the key medium-term themes are to clarify how products contribute to the environment and to strengthen our global management. Below is a summary of the progress we made under the 1st Environmental Action Plan in fiscal 2020.

Reference year: 2013

Initiatives (Indicators)		1st Environmental Action Plan	2nd Environmental Action Plan	Long-Term Objectives to Be Achieved by FY2030
		FY2020 Achievements	FY2021 Targets	
Offering environmentally friendly products	Environmental contribution through environment-friendly products (contribution to CO_2 reduction) (t)	23,346 (181%)	26,500 (205%)	34,410 (267%)
Global warming prevention	Reduction in CO_2 emissions intensity (t/hundred million yen)	22.5 (−18%)	19.8 (−28%)	14.0 (−50%)
Making productive use of resources	Reduction in waste discharge rate (t/hundred million yen)	2.59 (−25%)	2.54 (−26%)	1.2 (−65%)
Chemical substances management	Reduction in chemical substance discharge rate (kg/hundred million yen)	44.9 (−42%)	44.0 (−43%)	40.0 (−48%)
Green management	Biodiversity conservation (ecosystem network)	—	Mt. Fuji Environmental Conservation Activities	
	Renewable energy (utilization of solar power and untapped energy)	Solar power generation to cover 0.1% of consumption	0.1% of consumption	Generate more than 20.0% of electricity consumed
	Scope 3 initiatives (analysis of upstream and downstream impacts)	Continued these initiatives	Assess environmental load Conduct mitigation of downstream load	Conduct mitigation activities
	Consideration of global environmental management system (strengthening of collaboration with overseas subsidiaries)	Analysis of energy and waste chemical substance use	Building a management system Strengthening communication	Investigate external infrastructure; conduct internal investigations on overseas environments; develop environmental leaders at overseas plants
Overseas	Strengthening management and reducing environmental load (management upgrading)	Setting objectives for three production centers	Assess environmental load	Strengthen management and promote reduction

Environmental Management

Environmental initiatives

In accordance with its Corporate Principles and Code of Conduct, the SHIBAURA MACHINE Group will meet its corporate social responsibility by actively contributing to the creation of a sustainable environment through compliance with laws and regulations, the provision of environment-friendly products, and the advancement of initiatives to reduce the environmental impact of the Group's business activities.

Basic Policy for Environmental Activities

Basic Policy

- We will actively contribute to the creation of an environment that will be passed on to the next generation in a healthy state as a corporate social responsibility (CSR).
- We comply with all applicable international, regional, and national standards, laws, regulations, agreements, industry guidelines, and Company rules related to the environment.
- We contribute to society by developing and offering excellent environmentally conscious products.
- We strive to reduce the environmental impact of our business activities, in order to protect biodiversity and ecosystems.

Strengthening the Environmental Management System

Since 1996, when we obtained ISO 14001 certification for the Numazu Plant, we have been consolidating and enlarging the scope of certification to cover other production centers, sales centers, and Group companies in Japan as part of concerted Groupwide efforts, in addition to strengthening our environmental management system. Regarding overseas operations, we obtained ISO 14001 certification for the Shanghai Plant in 2004, for the Chennai Plant in 2012, and for the Thai Plant in 2015.

In fiscal 2017, we completed document revisions to reflect ISO 14001:2015.

Environmental Considerations in Product Development

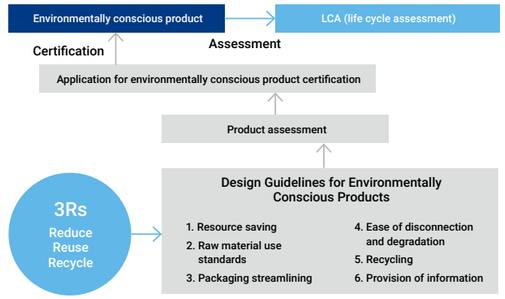
Environmental initiatives

The SHIBAURA MACHINE Group is committed to the development of environmentally conscious products to offer its customers products with a lesser environmental load.

Developing Environmentally Conscious Products

As early as the new product development phase, we perform product assessments to estimate and reduce the product's potential impact on the environment. Engineering departments develop products pursuant to the Design Guidelines for Environmentally Conscious Products, which incorporate product design guidelines and 3R (reduce, reuse, and recycle) considerations. When a product is completed, an application for environmentally conscious product certification is filed for assessment, and if the product is certified, it is registered as an environmentally conscious product.

In fiscal 2020, 50 new models were registered, extending our environmentally conscious product list to 645 models.



Reducing Environmental Load from Products

All registered environmentally conscious products undergo a life cycle assessment (LCA) pursuant to SHIBAURA MACHINE Group standards. The term "life cycle" here includes raw material, manufacture, transportation, use, recycling, and disposal. Furthermore, some of these products are compared with previous models to calculate the amount of CO_2 emissions reduction.*

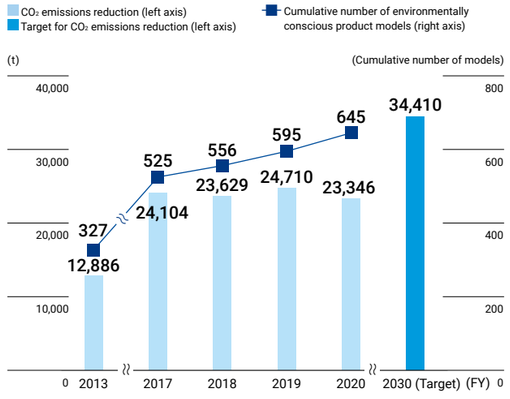
* The amount of CO_2 emissions that is considered to have been reduced by replacing a previous model with an environmentally conscious product with higher energy-saving performance

In order to reduce environmental load from products, we have set ourselves a long-term objective of achieving a reduction in CO_2 emissions from our products of 34,410 tons by fiscal 2030. The CO_2 emissions reduction in fiscal 2020 was 23,346 tons due to decreased sales of environmentally conscious products and other factors. We will achieve our long-term objective by enhancing our products' energy-saving performance further.

Initiatives to Reduce CO_2 Emissions from Product Use

Many of the SHIBAURA MACHINE Group's products are used for a long time, and CO_2 emissions from product use account for a large amount of all CO_2 emissions generated over a product's life cycle. Therefore, enhancing a product's energy-saving performance and reducing CO_2 emissions from its use are effective ways to reduce the environmental load of a product.

Number of Registered Environmentally Conscious Products and CO_2 Emissions Reduction



Introduction of an Environmentally Conscious Product

All-Electric Injection Molding Machine EC450SXIII

By changing the structural mechanism to reduce the number of large casting components, we have reduced the machine's weight by 3.3 tons compared with that of the previous model. As a result, CO_2 emissions at the product manufacturing stage are 5.48 tons lower.

EC-SXIII series

01 Creating Technologies for the Development of Environment-Friendly Plastics

—The M&P Company's Ambitious Efforts for a Sustainable Society—

Plastic products are an integral part of our daily lives. At the same time, however, concerns are growing about the impact of waste plastics on the global environment. For many years, SHIBAURA MACHINE has supported the development of plastic products, and this section provides a close-up on the latest efforts of the M&P Company to help commercialize environment-friendly plastics.

02 Retrofitting to Lay Industrial Foundations for the Future

—The MT Company's Mission to Extend Machine Tool Service Lives—

Machine tools support the world's key industries, including the automotive, aircraft, and shipbuilding industries. In the context of initiatives to build a sustainable society, interest has been focusing on retrofitting because it extends the service lives of machine tools. As a machine tool manufacturer with a proven track record, SHIBAURA MACHINE is also pursuing pioneering initiatives in the field of machine tool retrofitting.

Transitioning from Recycling to Invention—A New Frontier for Materials

Worldwide, the development of biodegradable plastics and new materials to replace plastics has become a focus of attention. We are working in partnership with material manufacturers to develop new plastics and provide manufacturing equipment for their commercialization.

One exciting new material is a composite material that comprises more than 50% inorganic materials, such as calcium carbonate. Commonly called stone paper, this material can be used as an alternative to paper and plastic. Stone paper's raw material is limestone, a natural material found in many places on earth. Another material of great interest is cellulose nanofiber, which is derived from plants. A fibrous material extracted from cellulose—which is the main component of wood—cellulose nanofiber is one-fifth the weight of steel but more than five times stronger.

As well as assisting in the commercialization of environment-friendly raw materials, we are supporting initiatives that are accelerating the development of practical applications for new higher-value-added materials.

A sample of cellulose nanofiber composite resin and a SHIBAURA MACHINE twin screw extruder

Transitioning from Restoration to Retrofitting—A Major Current Trend

In the construction industry, the information industry, and many other sectors, retrofitting has become a much used term. Retrofitting is the process of reconditioning machinery and equipment that has deteriorated. Unlike restoration, which returns a machine to a level of precision and functionality comparable with that of a new machine, retrofitting involves introducing advanced technology and the latest equipment while continuing to use the frame and other existing equipment as far as possible. Matching old and new equipment and upgrading to the most advanced equipment extend service lives and reduces waste. As well as benefiting the environment, our retrofitting contributes to technological innovation.

SHIBAURA MACHINE launched its retrofitting business in the 1970s. In the 1990s, we began retrofitting large-scale machine tools, and since the 2000s we have been actively expanding the business overseas. A major milestone was the widespread replacement of manual machines with numerical control equipment in the 1980s. The subsequent need to renew this numerical control equipment has greatly increased expectations with respect to retrofitting, and we are steadily continuing with research to meet the resulting demand.

Before retrofitting

After retrofitting

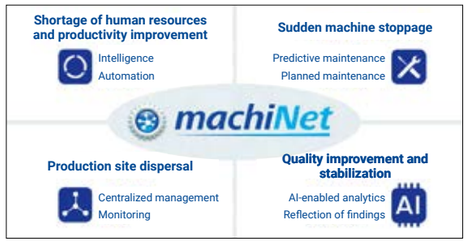
Evolving Factories Comprehensively to Realize New Technologies for Society

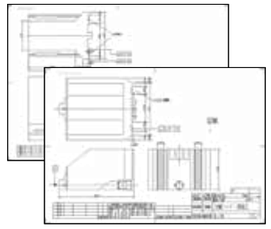
One of the drawbacks of using new materials made from natural materials is that the many processing steps required result in high costs. Therefore, to popularize such materials the realization of low-cost manufacturing processes compatible with mass production is essential.

To this end, we are not only improving the efficiency of individual machines but of entire factories. Our *machiNet* IoT platform improves productivity by centrally managing digitized machine data and visualizing the status of machines and workers. In addition, our change from a business unit system, which was siloed according to product categories, to an in-house company system has increased linkages and synergistic benefits among all manufacturing processes, from upstream through to downstream production stages.

In addition to using environment-friendly raw materials, we support efforts to invent new materials that add value. Together with customers, SHIBAURA MACHINE continues to make new technologies available to society.

The Aims of Our *machiNet* IoT Platform





Although the Swiss manufacturer of this machine, which can simultaneously process five products, has discontinued production, we have rejuvenated the machine through retrofitting.

Conducting Detailed Investigations to Retrofit the Products of All Manufacturers

We retrofit not only our own products but also machine tools made by all other manufacturers, both domestic and overseas. For machine tools made by other manufacturers, we begin by drafting internal drawings of the machines. Also, we supplement discontinued machines with our own products and improve operator-friendliness.

Our retrofitting of all manufacturers' machine tools can be traced back to the 1970s. Until then, overseas manufacturers such as those of Germany and Switzerland dominated when it came to large machine tools. However, if just a single component of a machine failed, a replacement component had to be ordered from overseas, forcing the domestic factory in question to shut down in the meantime. As a trusted pioneer in machine tools, we stepped forward to tackle this problem.

The aforementioned activities have earned SHIBAURA MACHINE a favorable reputation for being ideally qualified to realize retrofitting services because it has both extensive experience in custom-made products and a full lineup of the technologies needed for retrofitting processes, including core technologies specific to large machines, technologies for casting major components at foundries, and plate working and welding technologies.

Environmental Load from Business Activities (Input and Output)

Environmental initiatives

Environmental Load from Business Activities

We constantly gather and analyze data on environmental load from our business activities, including product development, manufacturing, and services, and vigorously pursue its reduction.

Input

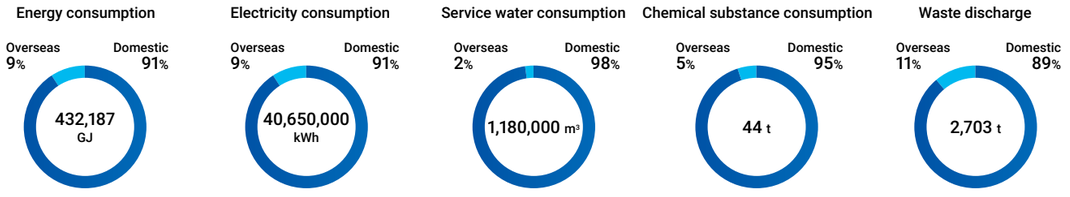
Domestic		
	Utility power	37,080,000 kWh
	City gas	234 km³
	LPG	24 t
	Fuel oil	420 kl
	Kerosene	147 kl
	Service water	1,150,000 ㎥
	Solar power generation	51,000 kWh
Overseas		
	Electric power	3,570,000 kWh
	LPG	16 t
	Kerosene	29 kl
	Water	30,000 ㎥

The SHIBAURA MACHINE Group's business activities

Output

Domestic		
	Chemical substances	42 t
	BOD	1,188 kg
	SS	981 kg
	N-hex	563 kg
	Soot and dust	14 kg
	Nitrogen oxide	905 kg
	Sulfur oxide	188 kg
	Waste	2,401 t
Overseas		
	Chemical substances	2 t
	Waste	302 t

Environmental Load from Domestic and Overseas Plants

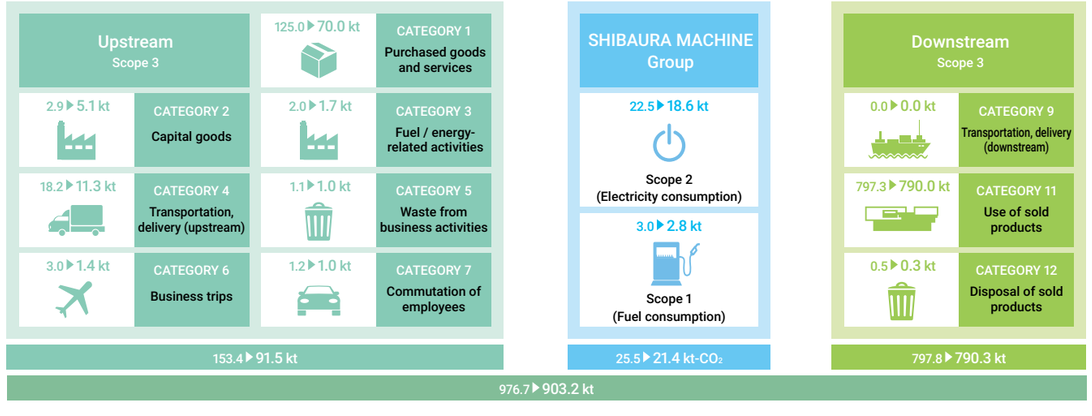


Environmental Load from the Entire Supply Chain

Since fiscal 2015, we have estimated and calculated CO_2 emissions from our entire supply chain in accordance with the guidelines of the Ministry of the Environment.*1, *2

*1 Basic guidelines regarding the calculation of greenhouse effect gas emissions from the entire supply chain
*2 Out of the 15 categories, categories 8, 10, 13, 14, and 15 are not applicable to our line of business.

Results for Fiscal 2019 ▶ Results for Fiscal 2020



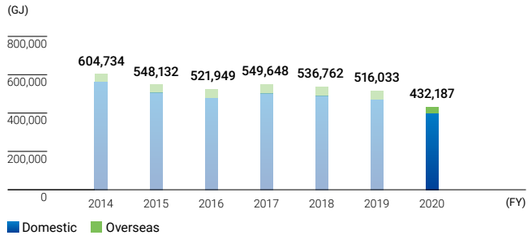
Environmental Data

Environmental Initiatives

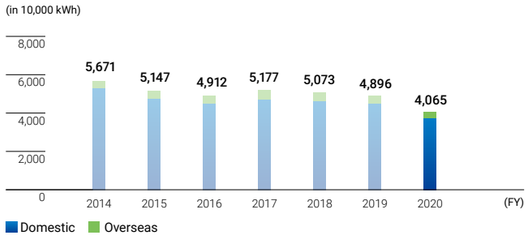
Input and Output Graphs

* Data for domestic Group companies only

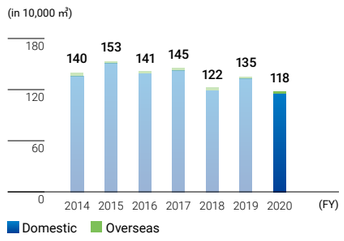
Energy Consumption by Fiscal Year



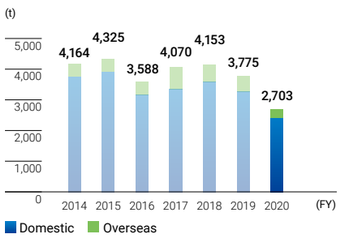
Electricity Consumption by Fiscal Year



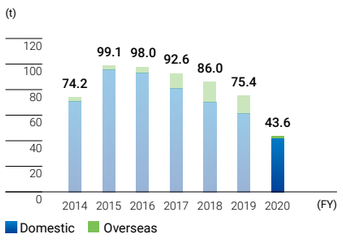
Service Water Consumption by Fiscal Year



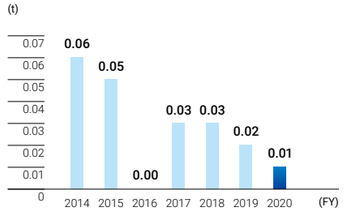
Waste Discharge by Fiscal Year



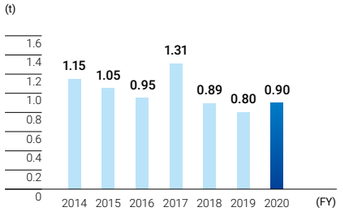
Chemical Substance Consumption by Fiscal Year



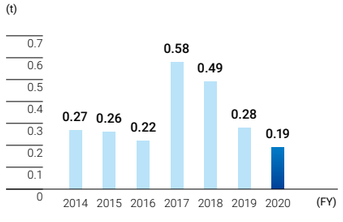
Soot and Dust Discharge by Fiscal Year*



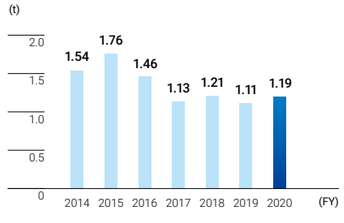
Nitrogen Oxide Discharge by Fiscal Year*



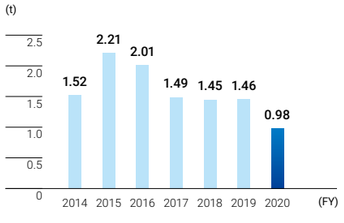
Sulfur Oxide Discharge by Fiscal Year*



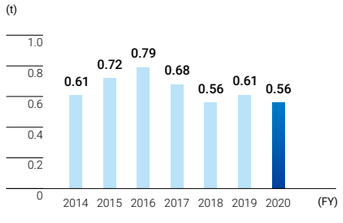
BOD Discharge by Fiscal Year*



SS Discharge by Fiscal Year*



N-hex Discharge by Fiscal Year*



Corporate Governance

Basic Approach

In accordance with our Corporate Principles, we will contribute to maximizing value for our customers around the world. Based on this commitment, the SHIBAURA MACHINE Group has established a specific Code of Conduct with the aim of complementing the Corporate Principles and ensuring that the Group conducts business activities in compliance with statutory laws and regulations, social norms, and sound corporate ethics. Further, all employees are fully informed about the Code of Conduct to establish it as a set of standards shared Groupwide. Based on the Corporate Principles and the Code of Conduct, the Company has built a highly transparent corporate governance system. Specifically, we have established an appropriate internal control system that reflects our Fundamental Policy on Internal Controls. Further, to heighten the transparency and fairness of the nomination of directors as well as of the remuneration of directors who are not Audit and Supervisory Committee members, we have instituted the Nomination Advisory and Remuneration Advisory committees. Moreover, we operate an executive officer system to separate the management and execution of business, clarify management responsibilities, and increase the efficiency and speed of management decision-making and business execution. In addition, directors who are Audit and Supervisory Committee members coordinate with the accounting auditor and the Internal Auditing Department to monitor business management.

Corporate Governance System

To ensure effective corporate governance, we have adopted a "company with committees" governance structure that includes an Audit and Supervisory Committee. Three Audit and Supervisory Committee members, of whom two are outside members and one is a full-time member, coordinate with the Internal Auditing Department, which conducts day-to-day audits of internal operations; attend the Management Strategy Meeting, the Management Meeting, and other important meetings; and state opinions as required. In addition, seven outside directors, who constitute a majority on the Board of Directors, utilize their expertise and business experience to ensure the rationality of the Company's decision-making and enhance the supervision of directors' execution of duties. Further, the executive officer system clearly separates management oversight from business execution, thereby accelerating and increasing the efficiency of decision-making.

1 Board of Directors

The Company's Board of Directors comprises nine directors (excluding directors who are Audit and Supervisory Committee members), of whom five are outside directors, and three directors who are Audit and Supervisory Committee members, of whom two are outside directors. As well as regular monthly meetings of the Board of Directors, extraordinary Board meetings are convened as required. In addition to deliberating, making decisions, and reporting on the stipulations of statutory laws and regulations and the Company's Articles of Incorporation as well as important business matters, the Board of Directors develops the internal control system and ensures its effectiveness. Furthermore, the Company has designated the seven aforementioned outside directors as independent officers.

Also, the Nomination Advisory and Remuneration Advisory committees have been established as advisory committees to the Board of Directors. The former deliberates on matters concerning the Company's directors and other important personnel matters, while the latter deliberates on the remuneration of the Company's directors, excluding directors who are Audit and Supervisory Committee members, with both committees reporting their findings to the Board of Directors. Further, both of these committees are chaired by outside directors.

2 Management Strategy and Management Meetings

The Management Strategy and Management meetings are both held monthly to deliberate, report on, and determine management policies and strategies as well as to deliberate, make decisions, and report on important matters related to business execution.

3 Audit and Supervisory Committee (Progress of Measures to Strengthen Audit Functions)

The Company's Audit and Supervisory Committee has three members, of whom two are outside directors and one is a full-time member. By attending meetings of the Board of Directors and other important meetings, Audit and Supervisory Committee members, who have voting rights, are able to audit and supervise the execution of duties by directors. In addition, the Audit and Supervisory Committee coordinates with the accounting auditor and the Internal Auditing Department to audit business management.

4 Internal Auditing Department

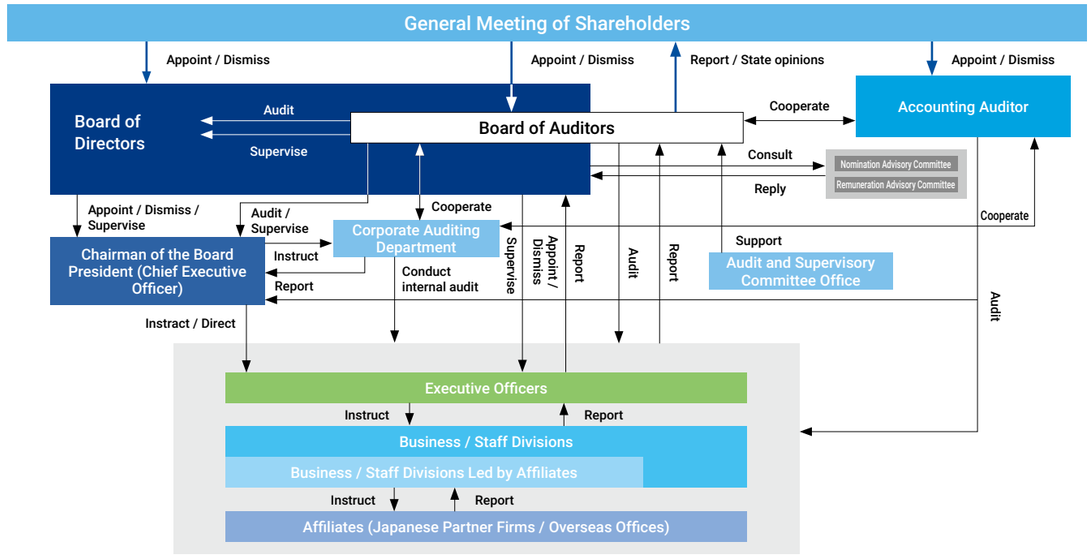
The Internal Auditing Department verifies the legality and appropriateness of business activities, reports audit results to the representative directors, and provides guidance if there are any matters requiring improvement. Further, the Internal Auditing Department comprises 12 members and is under the direct control of the representative directors.

The Internal Auditing Department shares information with the Audit and Supervisory Committee and the accounting auditor in a timely manner, submits reports to the Audit and Supervisory Committee as required, and promotes mutual coordination with the committee.

5 Accounting Auditor and Lawyer

The Company has engaged Ernst & Young ShinNihon LLC to conduct fair, appropriate accounting audits. In addition, the Company receives timely advice from a consulting lawyer when legal decisions are required.

Corporate Governance System



Outside Directors and Composition of the Board of Directors

Compositions of the Nomination Advisory and Remuneration Advisory Committees

Name	Position	Nomination Advisory Committee	Remuneration Advisory Committee
Yukio Iimura	Chairman	○	○
Shigetomo Sakamoto	President, Chief Executive Officer, Chief Operating Officer		
Akiyoshi Kobayashi	Director, Executive Operating Officer		
Hiroaki Ota	Director, Chief Financial Officer, Executive Operating Officer		
Kiyoshi Sato	Outside Director	◎ (Chair)	○
Seigo Iwasaki	Outside Director	○	◎ (Chair)
Hiroshi Inoue	Outside Director	○	
Kazumine Terawaki	Outside Director		○
Chisa Hayakawa	Outside Director		
Hiroshi Takahashi	Director (Full-Time Audit and Supervisory Committee Member)		
Yutaka Usami	Outside Director (Audit and Supervisory Committee Member)		○
Akifumi Imamura	Outside Director (Audit and Supervisory Committee Member)	○	

Policy on the Appointment of Directors

At present, the Company's Board of Directors comprises nine directors (maximum of 12 directors), excluding directors who are Audit and Supervisory Committee members, and three directors who are Audit and Supervisory Committee members (maximum of five directors). Seven of the directors are outside directors, and two of the outside directors are Audit and Supervisory Committee members.

To ensure sound, sustainable growth while increasing the competitiveness of its businesses, the Company has sought a balance of knowledge, experience, and ability in the overall composition of the Board of Directors. Accordingly, the Company has appointed a range of experts as outside directors, including individuals with extensive experience in corporate management, attorneys with expertise in compliance and corporate legal affairs, a certified public accountant with expertise in financial accounting, and specialists in investor relations.

In addition, the Company has established the Nomination Advisory Committee, which is chaired by an outside director, in principle, and the majority of its members are outside directors. This committee deliberates on the appointment of directors and reports its findings to the Board of Directors.

Reasons for the Appointment of Outside Directors

Name	Years of Service	Attendance at Board of Directors' Meetings	Reasons for Appointment
Kiyoshi Sato Outside Independent	4	15 of 16 (94%)	Kiyoshi Sato's character and expertise are impressive. He has been appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by utilizing the extensive experience and expertise he has gained by serving as an officer for other companies, including executive positions in businesses overseas.
Seigo Iwasaki Outside Independent	3	16 of 16 (100%)	Seigo Iwasaki's character and expertise are impressive. He has been appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by utilizing the extensive experience and expertise he has gained by serving as an officer for other companies.
Hiroshi Inoue Outside Independent	2	16 of 16 (100%)	Hiroshi Inoue's character and expertise are impressive. He has been appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by utilizing the extensive experience and expertise he has gained by serving as an officer for other companies.
Kazumine Terawaki Outside Independent	2	16 of 16 (100%)	Kazumine Terawaki's character and expertise are impressive. He has been appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by utilizing the extensive experience and expertise he has gained by serving as an attorney and as an outside officer for other companies.
Chisa Hayakawa Outside Independent	1	13 of 13 (100%)	Chisa Hayakawa's character and expertise are impressive. She has been appointed as an outside director and an independent officer based on the expectation that she will ensure duties are being executed appropriately by utilizing the extensive experience and expertise she has gained through performance of a wide range of operations in her capacity as a certified tax accountant and a securities analyst.
Yutaka Usami (Audit and Supervisory Committee Member) Outside Independent	2	16 of 16 (100%)	Yutaka Usami's character and expertise are impressive. He has been appointed as an outside director who is an Audit and Supervisory Committee member and an independent officer because it is anticipated that he will perform such roles as providing a broad range of audit-related opinions that reflect the extensive experience and expertise he has gained by serving as a certified public accountant, a certified tax accountant, and an outside officer for other companies.
Akifumi Imamura (Audit and Supervisory Committee Member) Outside Independent	New appointment	Not applicable	Akifumi Imamura's character and expertise are impressive. He has been appointed as an outside director who is an Audit and Supervisory Committee member and an independent officer because it is anticipated that he will perform such roles as providing a broad range of audit-related opinions that reflect the extensive experience and expertise he has gained by serving as an attorney and as an outside officer for other companies.

Compensation of Directors

Basic Policies in Relation to the Stock Compensation Plan

The stock compensation plan provides stock compensation to eligible directors—namely, directors other than outside directors or directors who are Audit and Supervisory Committee members—to increase the linkage between the compensation of eligible directors and the medium- to long-term performance of the Company and promote a shared interest among eligible directors and shareholders, with the aim of providing an incentive to achieve the performance targets of the medium-term management plan, the Management Reform Plan, and sustainably enhance corporate value. The basic policies in relation to the stock compensation plan are as follows.

(1) With a view to increasing corporate value over the medium to long term by transforming into a highly profitable company and sustaining growth, the Company shall provide fixed compensation, in the form of basic compensation, as well as variable compensation that establishes a sound incentive through the combination in appropriate proportions of (i) stock-based compensation subject to continuous service, (ii) cash bonuses linked to short-term performance, and (iii) stock compensation linked to medium- to long-term performance.

(2) A strong incentive to achieve performance targets shall be established by linking the Company's medium-term management plan with stock compensation.

(3) To ensure that directors share with shareholders the benefits and risks of share price fluctuations, the proportion of stock compensation shall be increased, and directors shall be encouraged to hold more shares.

Outside directors: To ensure their independence, all outside directors receive basic compensation but do not receive performance-linked compensation.

Directors who are Audit and Supervisory Committee members: Such directors only receive basic compensation given their role, which primarily entails conducting legal compliance audits.

Details of the Stock Compensation Plan

(1) Service-Based Restricted Stock

The issuance and disposal of shares of the common stock of the Company is conducted every year, in principle, through service-based restricted stock. Monetary compensation claims are granted to eligible directors based on resolutions of the Company's Board of Directors. All said monetary compensation claims are required to be contributed in kind to the Company as property contributed in kind. Restricted stock is granted based on the number of shares equivalent to the figure that results from dividing said monetary compensation claims by a price. This price is determined by the Board of Directors based on the closing price of the Company's shares of common stock at the Tokyo Stock Exchange on the business day preceding the day of the resolution of the Board of Directors but within a scope avoiding prices that are unduly favorable to eligible directors. If trading was not conducted on the preceding day, the closing price of the most recent business day is used. With respect to the issuance and disposal of shares of the common stock of the Company, the Company and eligible directors conclude a service-based restricted stock award agreement.

(2) Performance-Based Restricted Stock

The performance evaluation period of performance-based restricted stock is the medium-term management plan's period, which is stipulated by the Company's the Board of Directors. After the performance evaluation period, monetary compensation claims are granted to eligible directors based on the multiplication of two values: the compensation amounts established for the positions of eligible directors and the degrees of achievement in relation to performance indicators predetermined by the Board of Directors. All said monetary compensation claims are required to be contributed in kind to the Company as property contributed in kind. Restricted stock is granted based on the number of shares equivalent to the figure that results from dividing said monetary compensation claims by a price. This price is determined by the Board of Directors based on the closing price of the Company's shares of common stock at the Tokyo Stock Exchange on the business day preceding the day of the resolution of the Board of Directors but within a scope avoiding prices that are unduly favorable to eligible directors. If trading was not conducted on the preceding day, the closing price of the most recent business day is used. The issuance and disposal of shares of the common stock of the Company is conducted, in principle, after the end of the last fiscal year of the performance evaluation period. With respect to the issuance and disposal of these shares, the Company and eligible directors conclude a performance-based restricted stock award agreement.

Compensation of Directors in Fiscal 2020

	Total Compensation (¥ Million)	Total Compensation by Type (¥ Million)				Directors (Persons)
		Basic Compensation	Bonuses	Performance-Based Restricted Stock Compensation	Service-Based Restricted Stock Compensation	
Directors (excluding Audit and Supervisory Committee Members)	165	143	—	—	22	10
(Of Whom, Outside Directors)	(48)	(48)	(—)	(—)	(—)	(5)
Directors (Audit and Supervisory Committee Members)	37	37	—	—	—	3
(Of Whom, Outside Directors)	(19)	(19)	(—)	(—)	(—)	(2)
Total	203	180	—	—	22	13
(Of Whom, Outside Directors)	(67)	(67)	(—)	(—)	(—)	(7)

Effectiveness Evaluation of the Board of Directors

The Company conducts self-assessment and analysis of the effectiveness of the Board of Directors with the aim of improving its functioning and, ultimately, enhancing corporate value.

In light of advice from an external organization, self-evaluation and analysis were conducted in the following manner.

In April 2021, a questionnaire was issued to all directors who comprised the Board of Directors at the time. The anonymity of the responses was ensured by having them sent directly to an external organization. Based on aggregated results reported by the external organization, analysis, discussion, and evaluation were conducted at a meeting of the Board of Directors held in May 2021.

A summary of the results of the aforementioned activities is as stated below.

Results of Effectiveness Evaluation

We believe that the Board of Directors is effective on the whole. Generally positive evaluations were received with respect to the number of members comprising the Board of Directors, the number of outside directors relative to inside directors, prior notification of the schedules and agenda items of meetings of the Board of Directors, communication between inside directors and outside directors, understanding of agenda items in advance, coordination among outside directors or Audit and Supervisory Committee members and the Internal Auditing Department, and the performance of supervisory functions by outside directors.

Ongoing Tasks

Opinions provided included those to the effect that discussions on medium- to long-term strategies and measures should be promoted, further investor relations information should be shared as appropriate to provide feedback in response to dialogues with shareholders (investors), and more measures for enhancing discussions at Board of Directors' meetings should be taken. Improving the functions of the Board of Directors even further and increasing the liveliness of discussions were among other tasks identified.

Going forward, the Board of Directors will continue enhancing its functions by thoroughly examining tasks with reference to the above-mentioned effectiveness evaluation and expediting measures in accordance with findings.

Policy on Training Directors

To enhance the knowledge and abilities of its directors and enable them to fulfill their roles and functions, the Company implements the following training programs. For newly appointed directors, we organize external training. We also organize external training for newly appointed presidents. Further, we provide outside directors with opportunities to deepen their understanding of the Company's business, finances, and organization. In addition, training is provided for directors as needed.

Shares Held for Purposes Other Than Pure Investment

We believe that cooperative relationships with a range of companies are essential for the expansion and sustained development of our businesses. The Company's policy is to hold shares that are deemed strategically necessary based on comprehensive consideration of importance in terms of business strategy as well as business relationships with business partners from the perspective of corporate value enhancement over the medium to long term. Annually, the Board of Directors verifies the appropriateness of holding individual shares held for purposes other than pure investment by comprehensively considering such factors as the purpose of holding shares, the benefits associated with holding shares, risks, and cost of capital. As a result of such verification, SHIBAURA MACHINE disposed of all shares of one company in fiscal 2020. Also, in exercising our voting rights, we emphasize the verification of each agenda item with respect to the investee's enhancement of corporate value over the medium to long term and its stance on shareholder returns, corporate governance, and social responsibility.

Internal Controls

Internal Control System

Based on our Corporate Principles, we believe that establishing and operating a system for proper business execution is an important management responsibility. Accordingly, the Group has set out the Fundamental Policy on Internal Controls and established capabilities to ensure the appropriateness of operations.

In addition, the internal control system is strengthened and enhanced by the Internal Auditing Department and corporate departments, which independently conduct internal audits to confirm that internal controls are functioning properly.

Governance of the Group

The SHIBAURA MACHINE Group has established the SHIBAURA MACHINE Group Basic Governance Policy with the aim of maximizing corporate value by building an appropriate internal control system for the Group, heightening the efficiency of Group management, and strengthening Group management capabilities while advancing the management of risks and compliance. In accordance with this policy, the governance of the Group is being strengthened and improved.

Management of Risk and Compliance

To guide its daily business activities and to position human life, safety, legal compliance, adherence to social norms, and sound ethics as first priorities, the SHIBAURA MACHINE Group has established its Corporate Principles and the Code of Conduct. In addition, we have set forth the Risk and Compliance Management Rules with a view to building, maintaining, and promoting a risk and compliance management system that actively controls risks inherent in business activities and ensures highly transparent business management.

Also, we have introduced systems that enable the collection of sensitive information on risks that would otherwise be challenging to report through regular channels. For example, we have established a whistleblower system that Company employees, Group company employees, and temporary employees can use as well as a supply chain whistleblower system for our business partners.

System for the Management of Risks and Compliance

The specific elements of the SHIBAURA MACHINE Group's system for the management of risks and compliance are a risk management officer and the Risk Management Committee, which meets regularly.

In the course of their daily management activities, in-house companies, centers, and corporate departments conduct prognostication, prevention, and self-inspection activities in relation to risks.

Abolition of Anti-Takeover Measures

Not applicable (The Company abolished its anti-takeover measures upon the conclusion of the 96th Ordinary General Meeting of Shareholders, held on June 21, 2019.)

Board Members (As of June 21, 2021)

Chairman

Yukio Iimura

Apr.	1980	Joined the Company
Oct.	2000	Injection Molding Machine Engineering Department Senior Manager of the Company
Oct.	2004	Micro-Pattern Imprinting Device Division General Manager of the Company
June	2006	Director of the Company
June	2008	Headquarters of Engineering Division General Manager of the Company
June	2009	President of the Company
June	2013	President and Chief Executive Officer of the Company
Apr.	2017	Chairman (present position) and Chief Executive Officer of the Company

President, Chief Executive Officer
Chief Operating Officer

Shigetomo Sakamoto

Apr.	1983	Joined the Company
June	2006	Corporate Planning Division General Manager of the Company
June	2009	Director of the Company
June	2010	Tokyo Head Office General Manager of the Company
Oct.	2010	Global Corporate Strategy Division General Manager of the Company
June	2013	Director and Managing Executive Officer, Component Business Unit General Manager, and Corporate Planning Division General Manager of the Company
June	2016	Representative Director and Executive Operating Officer, Compliance Division General Manager, Security and Regulation Control Division General Manager, Corporate Strategic Planning Division General Manager, Sagami Plant General Manager, and RMO of the Company
Apr.	2017	Machine Tools Business Unit General Manager and Gotemba Plant General Manager of the Company
June	2017	In charge of Corporate Strategic Planning Division and in charge of TQM Promotion Division of the Company
June	2019	Vice President and Operating Officer of the Company
Feb.	2020	President and Chief Operating Officer of the Company (present position)
Apr.	2020	Security and Regulation Control Division General Manager of the Company
June	2021	Chief Executive Officer of the Company (present position)

Director and Executive Operating Officer
R&D Center General Manager, Security and Regulation Control Division
General Manager and Sagami Plant General Manager
In charge of Administration Division
In charge of System Strategy Division
Overall responsibility for quality assurance

Akiyoshi Kobayashi

Apr.	1985	Joined the Company
Oct.	2004	Extrusion Machine Engineering Department Senior Manager of the Company
June	2013	Extrusion Machine Division General Manager of the Company
June	2014	Executive Officer, Advanced Machinery Business Unit Deputy General Manager of the Company
June	2015	Director and Executive Officer, Advanced Machinery Business Unit General Manager of the Company
June	2016	In charge of Control Systems Division of the Company
Apr.	2017	Molding Machinery Business Unit General Manager, Administration Division General Manager, and Sagami Plant General Manager of the Company
June	2018	Director and Senior Managing Executive Officer, Corporate Strategic Planning Division General Manager, and Engineering and Quality Division General Manager of the Company
June	2019	Director and Executive Operating Officer (present position) and in charge of Control Systems Division of the Company
Feb.	2020	Compliance Division General Manager of the Company
Apr.	2020	R&D Center General Manager, Sagami Plant General Manager, in charge of Administration Division, in charge of System Strategy Division of the Company (present position)
June	2021	Security and Regulation Control Division General Manager of the Company (present position)

Director, Chief Financial Officer
Executive Operating Officer
In charge of Corporate Strategic Planning Division

Hiroaki Ota

Apr.	1984	Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)
Apr.	2001	Joined Daiwa Securities SMBC Co. Ltd. (currently Daiwa Securities Co. Ltd.)
Feb.	2009	Joined GCA Savvian Corporation (currently GCA Corporation)
Mar.	2014	Audit and Supervisory Board Member of Mezzanine Corporation
Aug.	2014	Audit and Supervisory Board Member of GCA FAS Co., Ltd.
Feb.	2015	CFO and Managing Director of GCA Savvian Corporation (currently GCA Corporation) Director of GCA Savvian Singapore Private Ltd.
Mar.	2015	Director, CFO and Managing Director of GCA Savvian Corporation (currently GCA Corporation)
Apr.	2017	Managing Director of GCA Corporation
Apr.	2020	Executive Operating Officer of GCA Partners Corporation
June	2020	Director of the Company
Aug.	2020	Director, Chief Financial Officer, Executive Operating Officer, in charge of Corporate Strategic Planning Division (present position)

Outside Director

Kiyoshi Sato

Apr.	1979	Joined Tokyo Electron Limited
Apr.	2003	Senior Executive, president's office of Tokyo Electron Limited
June	2003	President and CEO of Tokyo Electron Limited
Apr.	2009	Vice Chairman of the Board of Tokyo Electron Limited
June	2011	Director of Tokyo Electron Limited Chairman of Tokyo Electron America, Inc. Chairman of Tokyo Electron Europe, Ltd.
Nov.	2013	President of TEL Solar AG
June	2016	Audit and Supervisory Board Member of Tokyo Electron Yamanashi Limited
June	2017	Outside Director of the Company (present position)
June	2019	Outside Director of Mazda Motor Corporation (present position) Outside Director of Inabata & Co., Ltd. (present position)

Outside Director

Seigo Iwasaki

Mar.	1969	Joined SHIZUOKA GAS Co., Ltd.
July	1988	General Planning Group Leader of SHIZUOKA GAS Co., Ltd.
Mar.	1996	Director of SHIZUOKA GAS Co., Ltd.
Mar.	2000	Managing Director of SHIZUOKA GAS Co., Ltd.
Mar.	2001	Senior Managing Director of SHIZUOKA GAS Co., Ltd.
Mar.	2006	Representative Director and President of SHIZUOKA GAS Co., Ltd.
Jan.	2011	Representative Director and Chairman of SHIZUOKA GAS Co., Ltd.
May	2014	Outside Director of STAR MICRONICS CO., LTD. (present position)
June	2015	Outside Director of Murakami Corporation (present position)
Jan.	2018	Director and Special Adviser of SHIZUOKA GAS Co., Ltd.
June	2018	Outside Director of the Company (present position)
Mar.	2020	Special Adviser of SHIZUOKA GAS Co., Ltd. (present position)

Outside Director

Hiroshi Inoue

Apr.	1963	Joined Tokyo Broadcasting System, Inc.
June	1993	Director of Tokyo Broadcasting System, Inc.
June	1996	Managing Director of Tokyo Broadcasting System, Inc.
June	1997	Senior Managing Director of Tokyo Broadcasting System, Inc.
June	2001	Vice President and Representative Director of Tokyo Broadcasting System, Inc.
June	2002	President and Representative Director of Tokyo Broadcasting System, Inc.
Oct.	2004	President and Representative Director of Tokyo Broadcasting System Television, Inc.
June	2006	Outside Director of Tokyo Electron Limited
Apr.	2009	Chairman and Representative Director of Tokyo Broadcasting System Holdings, Inc. (currently TBS HOLDINGS, INC.) Chairman and Representative Director of Tokyo Broadcasting System Television, Inc.
Apr.	2012	President of The Japan Commercial Broadcasters Association (general incorporated association)
Apr.	2016	Honorary Chairman and Director of Tokyo Broadcasting System Holdings, Inc. (currently TBS HOLDINGS, INC.) Honorary Chairman and Director of Tokyo Broadcasting System Television, Inc.
June	2018	Executive Advisor of Tokyo Broadcasting System Television, Inc.
June	2019	Outside Director of the Company (present position)

Outside Director

Kazumine Terawaki

Apr.	1980	Prosecutor of Tokyo District Public Prosecutors Office
Jan.	2014	Director-General of Public Security Intelligence Agency
Jan.	2015	Superintending Prosecutor, Sendai High Prosecutors Office
Sept.	2016	Superintending Prosecutor, Osaka High Prosecutors Office
Apr.	2017	Retired from his post of Superintending Prosecutor, Osaka High Prosecutors Office
June	2017	Lawyer registration (Tokyo Bar Association), joined Satoshi Suzuki Law Office (present position)
Feb.	2018	Outside Corporate Auditor of Kewpie Corporation (present position)
June	2018	External Audit and Supervisory Board Member of The Shoko Chukin Bank, Ltd. (present position)
June	2019	Outside Director of the Company (present position) Outside Audit and Supervisory Board Member of Kajima Corporation (present position)

Outside Director

Chisa Hayakawa

Apr.	1991	Joined Sanyo Securities Company Limited
Mar.	1998	Joined FANCL CORPORATION
July	2009	Joined Calbee, Inc.
Apr.	2011	Investor Relations Group Manager of Calbee, Inc.
Apr.	2013	Executive Officer (present position) and Investor Relations Department General Manager of Calbee, Inc.
Apr.	2014	Corporate Planning Department General Manager and Investor Relations Department General Manager of Calbee, Inc.
Apr.	2016	East Japan Sales Department Deputy General Manager of Calbee, Inc.
Apr.	2017	East Japan Sales Department General Manager of Calbee, Inc.
Apr.	2019	Financial & Accounting Department General Manager of Calbee, Inc.
June	2020	Outside Director of the Company (present position)
Apr.	2021	Financial & Accounting Department General Manager and Investor Relations Department General Manager of Calbee, Inc. (present position)

Director (Full-Time Audit and
Supervisory Committee Member)

Hiroshi Takahashi

Apr.	1985	Joined the Company
June	2010	Finance Division General Manager of the Company
June	2013	Executive Officer and Planning Division Deputy General Manager of the Company
June	2016	Corporate Strategic Planning Division Deputy General Manager and Corporate Planning Department Senior Manager of the Company
June	2017	Corporate Strategic Planning Division General Manager of the Company
June	2018	Full-Time Audit and Supervisory Board Member of the Company
June	2019	Director (Full-Time Audit and Supervisory Committee Member) of the Company (present position)

Outside Director (Audit and
Supervisory Committee Member)

Yutaka Usami

Oct.	1984	Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC)
Aug.	1988	Registered as a Certified Public Accountant
Oct.	2006	Resigned as Representative Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)
Nov.	2006	Established Management Power Exchange Ltd. Representative Director (present position)
Jan.	2007	Established Usami Yutaka Certified Public Accountant Office (present position)
June	2010	Established Usami Yutaka Certified Tax Accountant Office (present position)
Sept.	2011	Outside Audit and Supervisory Board Member of NISHIKAWA KEISOKU Co., LTD.
Apr.	2012	Auditor of National Graduate Institute for Policy Studies
July	2012	Outside Auditor of PADECO Co., Ltd.
June	2014	Supervisory Officer of Tokio Marine Private Reit Inc. (present position)
June	2015	Outside Audit and Supervisory Board Member of the Company
Sept.	2015	Outside Director (Audit and Supervisory Committee Member) of NISHIKAWA KEISOKU Co., LTD.
June	2019	Outside Director (Audit and Supervisory Committee Member) of the Company (present position)
May	2020	Auditor (outside) of Chiyoda Co., Ltd. (present position)
Sept.	2020	Supervisory Director of Industrial & Infrastructure Fund Investment Corporation (present position)

Outside Director (Audit and
Supervisory Committee Member)

Akifumi Imamura

Apr.	1982	Lawyer registration (DAIICHI TOKYO BAR ASSOCIATION)
Apr.	1989	Partner Lawyer of Atago Law Office
May	2003	Partner Lawyer of Greenhill Law and Patent Office (present position)
Apr.	2005	Vice-President of DAIICHI TOKYO BAR ASSOCIATION
June	2005	Outside Audit and Supervisory Board Member of JBCC Holdings Inc.
June	2011	Outside Audit and Supervisory Board Member of Itoham Foods Inc.
Apr.	2016	Outside Audit and Supervisory Board Member of ITOHAM YONEKYU HOLDINGS INC.
June	2016	Audit and Supervisory Committee Member / Outside Director of JBCC Holdings Inc. (present position)
Mar.	2020	Outside Audit and Supervisory Board Member of Otomo Logistics Service Co., Ltd. (present position)
June	2021	Outside Director (Audit and Supervisory Committee Member) of the Company (present position)

Messages from the Outside Directors

Kiyoshi Sato

Outside Director

The four years since the Company left the Toshiba Group have passed quickly. To fulfill its role as an independently listed company, SHIBAURA MACHINE must strengthen governance. The entire Company is making a concerted effort to transform its systems. Despite the difficult conditions caused by the COVID-19 pandemic, monthly meetings of the Board of Directors are monitoring progress under the medium-term management plan, the Management Reform Plan, which represents a commitment to shareholders. Convened remotely, the Nomination Advisory Committee is conducting useful exchanges of opinion as appropriate. In society at large, new ESG-related indicators and regulations are being issued one after another. I would like to help SHIBAURA MACHINE use this trend as an opportunity to build itself into an even better company.

SHIBAURA MACHINE is in a period of great change. In response to the need to transform governance from that of a group company to that of an independent company as well as the need to change from a business unit system organized around products to a system that can adapt to changes in the market environment, the Company has formulated the Management Reform Plan, which is aimed at fundamentally enhancing corporate value. The progress toward reorganization and the achievement of profit targets are reported at each meeting of the Board of Directors and monitored by outside directors.

I will make use of experience gained from management reforms implemented at my own company to advance the initiatives of SHIBAURA MACHINE's medium-term management plan. Also, I will support the Company's measures for the decarbonization of society by drawing on my background in the energy sector.

The Remuneration Advisory Committee, which I chair, will consider compensation of directors that appropriately reflects the progress in reforming management.

Seigo Iwasaki

Outside Director

Hiroshi Inoue

Outside Director

As I was engaged in the broadcasting industry, I do not have any knowledge of the manufacture of machines and equipment. However, I believe that garnering widespread appreciation of a company's capabilities and differentiating features from society is good for business. SHIBAURA MACHINE is certainly outstanding technologically, but I am not sure if business results have directly reflected this competence.

Although Japan has advanced technological capabilities in many industries, the global economic environment is changing drastically with the rise of developing nations. Companies' need to invest in equipment for decarbonization will present SHIBAURA MACHINE with more business opportunities. I would like the Company's technological excellence to gain the kind of recognition from society that translates into business results.

Given its world-class technological capabilities, SHIBAURA MACHINE has the capacity to solve a range of issues related to the SDGs. Therefore, a feature of the Company's business management is that there are many issues related to economic security that need to be kept in mind. Based on my experience as a legal expert, I provide opinions not only on compliance but also on a wide range of other topics at meetings of the Board of Directors. Including many highly experienced outside directors, Board meetings are a forum for unrestricted discussions. In particular, recent meetings have seen heated discussions on measures aimed at further growing the Company, and I am glad to be able to play a part in such discussions.

Kazumine Terawaki

Outside Director

Chisa Hayakawa

Outside Director

SHIBAURA MACHINE is a company that has solid technological capabilities, customizes products, and advances manufacturing to meet society's current needs. Furthermore, the Company is very sincere in its approach to investor relations activities and endeavors to meet the expectations of the stock market. Senior management's high level of involvement in investor relations activities and proactive stance on dialogue with investors are praiseworthy.

The details of this dialogue are regularly reported to the Board of Directors.

Going forward, I hope that SHIBAURA MACHINE will earn proper evaluations of management strategies from the market by increasing and enhancing the disclosure of financial and non-financial information and grow corporate value even further by engaging in high-quality dialogue with investors.

My work as an outside director began with the observation of a manufacturing site where large machines that I had never seen before were being assembled from scratch. SHIBAURA MACHINE is an earnest company. As a listed Company, however, it must generate sufficient profits. From the standpoint of a certified public accountant, I would like to pay close attention not only to the appropriate reporting of sales and profits but also to the preconditions for such reporting, namely, the accuracy of orders, contract management, inventory control, and collection management. Also, in discussions of quality, cost, and delivery, I will keep a watchful eye on "time," which is not easily reflected in financial figures, by using as leading indicators the expediting of decision-making, the shortening of delivery times, and inventory turnover periods.

Yutaka Usami

Outside Director (Audit and Supervisory Committee Member)

Akifumi Imamura

Outside Director (Audit and Supervisory Committee Member)

In June 2021, I was appointed as an outside director who is an Audit and Supervisory Committee member. When I was a substitute Audit and Supervisory Committee member, I was given a plant tour and was able to see firsthand the company's excellent technologies and wonderful products. In today's society, while companies must of course fulfill the basic objective of securing profits, they must also serve as public institutions by, for example, addressing the SDGs. Utilizing my experience as an attorney, as a corporate auditor at other companies, and as the external contact of a whistleblower system, I will do my utmost to assist SHIBAURA MACHINE in fulfilling this role and becoming a company that has well-developed governance and is even more focused on compliance.

10-Year Financial Data (Consolidated)

Unit: millions of yen

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Management Performance										
Net Sales	119,550	120,899	113,062	124,373	117,259	111,327	116,862	117,405	116,761	92,635
Gross profit	31,239	33,605	31,581	33,639	32,254	31,977	33,150	32,912	33,459	24,904
Gross profit / sales (%)	26.1	27.8	27.9	27.0	27.5	28.7	28.4	28.0	28.7	26.9
Operating profit	7,442	8,078	4,625	4,788	3,806	4,473	4,640	3,834	3,529	381
Operating profit / sales (%)	6.2	6.7	4.1	3.8	3.2	4.0	4.0	3.3	3.0	0.4
Ordinary profit	8,948	9,823	6,501	6,542	4,966	5,406	6,982	5,573	3,825	872
Ordinary profit / sales (%)	7.5	8.1	5.7	5.3	4.2	4.9	6.0	4.7	3.3	0.9
Net profit (loss) in this term attributable to parent company shareholders	6,721	7,891	4,444	4,312	4,806	1,776	5,016	4,079	7,338	(2,898)
Net profit (loss) in this term attributable to parent company shareholders / sales (%)	5.6	6.5	3.9	3.5	4.1	1.6	4.3	3.5	6.3	(3.1)
Amount of orders received	123,075	112,081	120,221	124,754	120,021	117,021	128,139	134,501	94,224	88,619
Financial Position										
Total assets	142,297	142,239	148,680	159,549	156,346	138,373	148,763	150,724	154,283	134,296
Net worth	71,101	79,399	84,217	93,669	93,345	77,120	81,334	83,197	87,018	82,152
Net worth ratio (%)	50.0	55.8	56.6	58.7	59.7	55.7	54.7	55.2	56.4	61.2
Interest-bearing debt	18,210	16,859	16,596	17,213	16,909	14,890	14,390	14,390	14,390	14,390
Important Financial Indicators										
Total asset turnover (number of turnovers)	0.87	0.85	0.78	0.81	0.74	0.76	0.81	0.78	0.77	0.64
Return on assets (ROA, %)	4.9	5.5	3.1	2.8	3.0	1.2	3.5	2.7	4.8	(2.0)
Return on equity (ROE, %)	9.9	10.5	5.4	4.8	5.1	2.1	6.3	5.0	8.6	(3.4)
Cash Flows										
Net cash provided by operating activities	368	7,435	3,024	(457)	2,781	9,948	6,813	(2,176)	5,312	192
Net cash provided by (used in) investing activities	(947)	(2,195)	(1,509)	(1,281)	2,252	(2,983)	(3,921)	(1,493)	19,772	(1,537)
Free cash flow	(578)	5,239	1,515	(1,739)	5,034	6,965	2,892	(3,669)	25,085	(1,344)
Net cash used in financing activities	(1,094)	(3,003)	(1,684)	(774)	(1,761)	(19,089)	(2,102)	(1,785)	(1,964)	(4,956)
Cash and cash equivalents at end of year	34,189	38,327	41,279	40,208	42,932	30,060	30,798	25,592	48,011	42,417
Net Sales by Region										
Japan	52,653	46,304	46,870	51,891	53,078	47,811	46,356	49,298	55,393	40,850
North America	10,925	17,456	19,255	22,778	20,754	19,993	18,490	18,998	14,913	14,841
Asia Pacific	52,707	54,476	44,335	47,084	41,090	41,539	50,496	46,142	45,043	36,070
Others	3,264	2,661	2,600	2,618	2,336	1,983	1,518	2,964	1,410	872
Total sales	119,550	120,899	113,062	124,373	117,259	111,327	116,862	117,405	116,761	92,635
Overseas sales ratio (%)	56.0	61.7	58.5	58.3	54.7	57.1	60.3	58.0	52.6	55.9
Amount of Capital Investment, Depreciation, Research and Development Costs										
Amount of capital investment	1,052	769	1,766	2,193	1,547	1,335	4,687	1,195	1,741	1,799
Ratio of amount of capital investment to net sales (%)	0.9	0.6	1.6	1.8	1.3	1.2	4.0	1.0	1.5	1.9
Depreciation	2,275	2,065	1,840	1,965	1,756	1,730	2,049	1,868	1,781	1,755
Ratio of depreciation to net sales (%)	1.9	1.7	1.6	1.6	1.5	1.6	1.8	1.6	1.5	1.9
Research and development costs	1,581	1,566	1,551	1,663	1,668	1,648	1,899	1,835	2,378	2,218
Ratio of research and development costs to net sales (%)	1.3	1.3	1.4	1.3	1.4	1.5	1.6	1.6	2.0	2.4
Shareholder Returns										
Total amount of dividends	1,368	1,368	1,140	1,216	1,824	1,636	1,689	1,810	2,051	4,810
Dividend payout ratio	20.4%	17.3%	25.7%	28.2%	38.0%	101.1%	33.7%	44.4%	28.0%	—

Unit: yen

Per Share Information										
Number of shares* outstanding at end of period (thousand shares) excluding treasury stocks	152,033	152,032	152,029	152,025	152,021	120,690	120,682	24,136	24,135	24,146
Net income per share	44.21	51.91	29.23	28.36	31.61	11.87	41.57	169.03	304.06	(120.05)
Dividend per share	9.0	9.0	7.5	8.0	12.0	12.0	14.0	45.0	85.0	199.3

Note: As royalty income was changed from recognition in other income to recognition in net sales in fiscal 2013, the figures for fiscal 2011 and fiscal 2012 have been retroactively adjusted.
* The Company executed a one-for-five consolidation of shares of common stock effective from October 1, 2018.

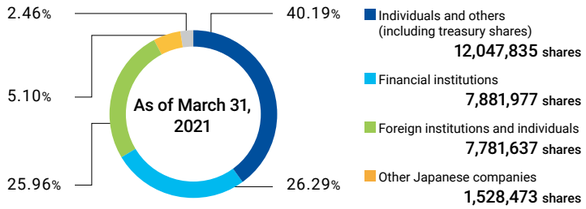
Corporate Information (As of March 31, 2021)

Company Name	SHIBAURA MACHINE CO., LTD.
Headquarters	TOKYO HEADQUARTERS 2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8503, Japan TEL: 81-(0)3-3509-0200 FAX: 81-(0)3-3509-0333
	NUMAZU HEADQUARTERS 2068-3, Ooka, Numazu-shi, Shizuoka-ken, 410-8510, Japan TEL: 81-(0)55-926-5141 FAX: 81-(0)55-925-6501
Date of Establishment	Founded December 1938 Established March 1949
Capital	¥12,484 million
Number of Employees	Consolidated: 3,081 (Non-Consolidated: 1,654)

Stock-Related Information
(As of March 31, 2021)

Stock ticker code:	6104
Stock listing:	Tokyo Stock Exchange
Shareholder registry administrator:	Sumitomo Mitsui Trust Bank, Limited
Minimum trading unit	100
Aggregate number of authorized shares:	72,000,000
Aggregate number of outstanding shares issued:	29,977,106 (including treasury stock: 5,831,373)
Number of shareholders:	13,710 (increase of 4,638 persons from the end of the previous fiscal year)

Distribution of Shares by Shareholder Type



Note: Treasury shares are included.

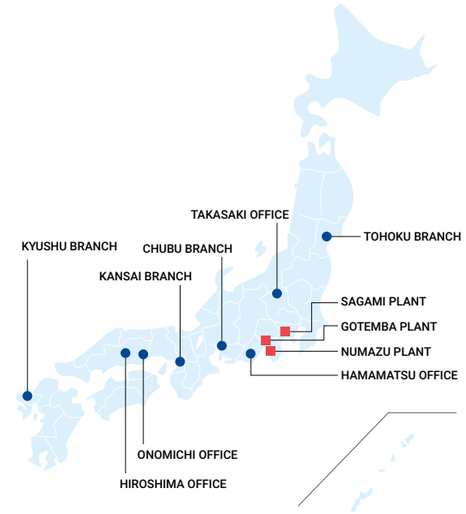
Major Shareholders (As of March 31, 2021)

Major shareholders	Number of shares held (thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,237	9.27
Custody Bank of Japan, Ltd. (Trust Account)	1,697	7.03
BBH FOR GLOBAL X ROBOTICS AND ARTIFICIAL INTELLIGENCE ETF	677	2.81
Toshiba Corporation	667	2.77
Shizuoka Bank, Ltd.	596	2.47
Shibaura Machine Employee Stock Ownership Association	549	2.28
Shibaura Machine Suppliers' Stock Ownership Association	539	2.23
Sumitomo Mitsui Banking Corporation	536	2.22
BNYM AS AGT / CLTS NON TREATY JASDEC	505	2.09
JPMBL RE UBS AG LONDON BRANCH COLL EQUITY	475	1.97

Note 1: Although SHIBAURA MACHINE holds 5,831,373 treasury shares, it is not included in above list of major shareholders.
Note 2: The percentage of shares held is calculated after deducting treasury shares.

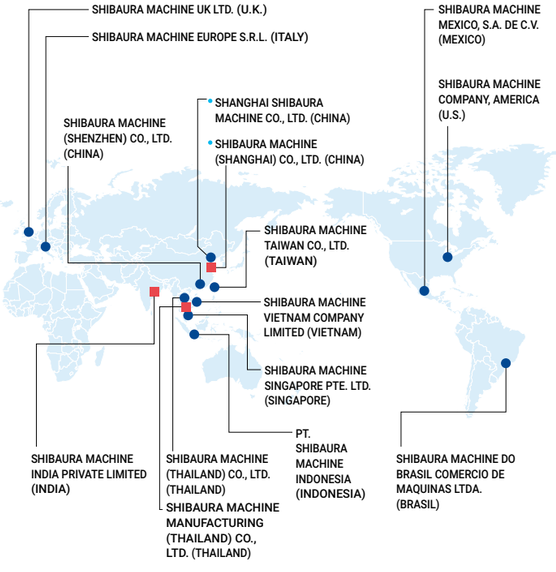
Domestic Offices and Plants (● Branches ● Business Offices ■ Plants)

● TOHOKU BRANCH	2-11-2, Yaotome, Izumi-ku, Sendai-shi, Miyagi-ken 981-3112, Japan
● CHUBU BRANCH	5-307, Kamiyashiro, Meito-ku, Nagoya-shi, Aichi-ken 465-0025, Japan
● KANSAI BRANCH	11F, Mainichi-Intecio Bldg., 3-4-5, Umeda, Kita-ku, Osaka-shi, Osaka 530-0001, Japan
● KYUSHU BRANCH	2-3-23 FMT Enokida Bldg., Hakata-ku, Fukuoka-shi, Fukuoka-ken 812-0004, Japan
● TAKASAKI OFFICE	48 Tukasawa Bldg., Takasago-cho, Takasaki-shi, Gunma-ken 370-0047, Japan
● HAMAMATSU OFFICE	5-6-25, Takaokahigashi, Naka-ku, Hamamatsu-shi, Shizuoka-ken 433-8117, Japan
● HIROSHIMA OFFICE	5-17-5 Midorii, Asaminami-ku, Hiroshima-shi, Hiroshima-ken 731-0103, Japan
● ONOMICHI OFFICE	4778-1 Takasu-cho, Onomichi-shi, Hiroshima-ken 729-0141, Japan
■ NUMAZU PLANT	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
■ SAGAMI PLANT	4-29-1, Hibarigaoka, Zama-shi, Kanagawa-ken 252-0003, Japan
■ GOTEMBA PLANT	1-120, Komakado, Gotemba-shi, Shizuoka-ken 412-0038, Japan



Overseas Offices (● Sales Offices ■ Manufacturing Offices)

East Asia	● SHANGHAI SHIBAURA MACHINE CO., LTD. (CHINA)
	● SHIBAURA MACHINE (SHENZHEN) CO., LTD. (CHINA)
	● SHIBAURA MACHINE TAIWAN CO., LTD. (TAIWAN)
	■ SHIBAURA MACHINE (SHANGHAI) CO., LTD. (CHINA)
Southeast Asia	● SHIBAURA MACHINE (THAILAND) CO., LTD. (THAILAND)
	● SHIBAURA MACHINE SINGAPORE PTE. LTD. (SINGAPORE)
	● PT. SHIBAURA MACHINE INDONESIA (INDONESIA)
	● SHIBAURA MACHINE VIETNAM COMPANY LIMITED (VIETNAM)
	● ■ SHIBAURA MACHINE INDIA PRIVATE LIMITED (INDIA)
	■ SHIBAURA MACHINE MANUFACTURING (THAILAND) CO., LTD. (THAILAND)
Europe and America	● SHIBAURA MACHINE COMPANY, AMERICA (U.S.)
	● SHIBAURA MACHINE MEXICO, S.A. DE C.V. (MEXICO)
	● SHIBAURA MACHINE DO BRASIL COMERCIO DE MAQUINAS LTDA. (BRASIL)
	● SHIBAURA MACHINE EUROPE S.R.L. (ITALY)
	● SHIBAURA MACHINE UK LTD. (U.K.)



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