Shibaura Machine

View the Future with You

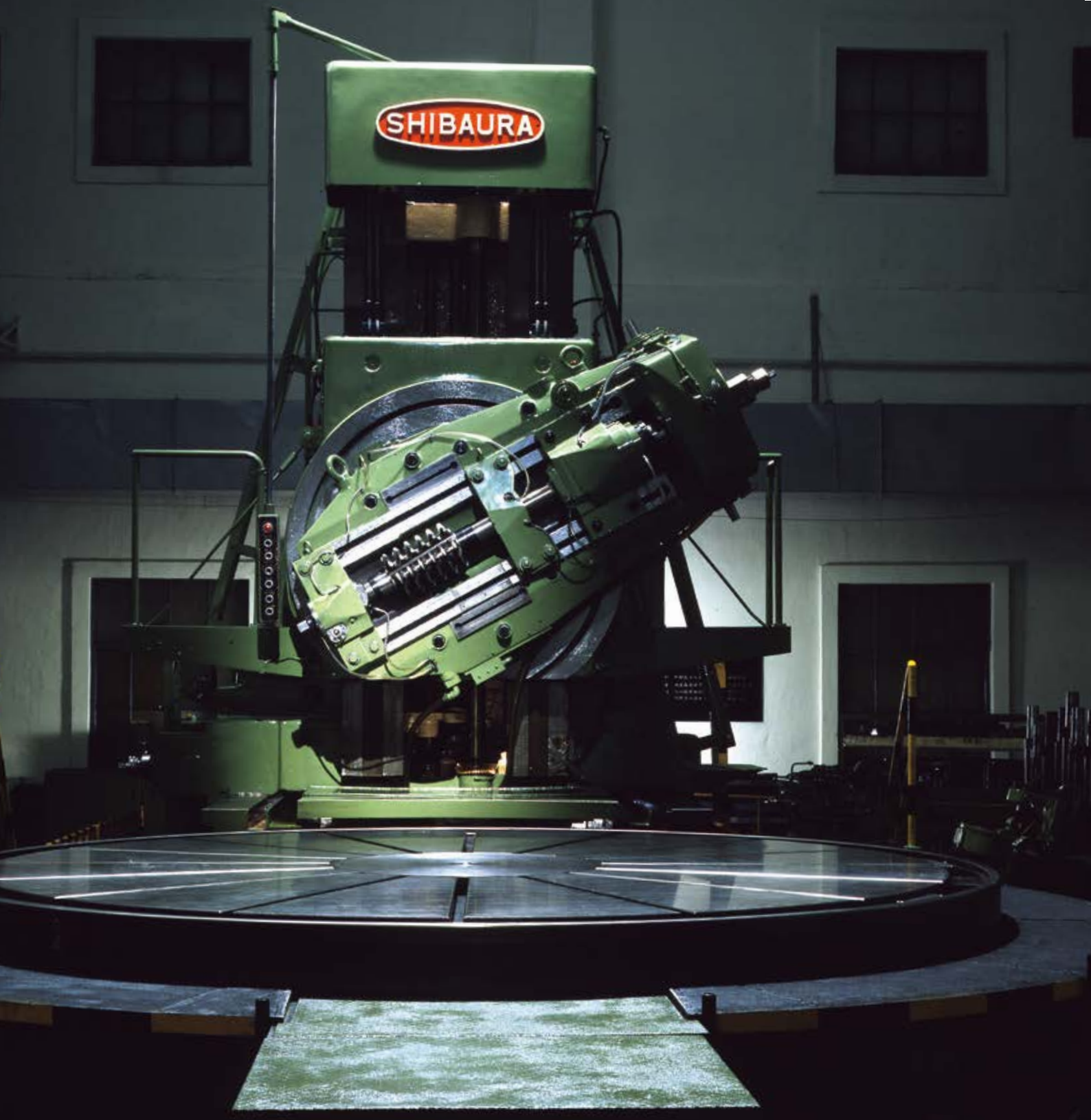
Integrated Report 2022

For the Fiscal Year Ended March 31, 2022

Contents

Editorial Policy

We have published *Integrated Report 2022* to help a wide range of stakeholders better understand our initiatives aimed at the long-term, sustained enhancement of corporate value. The report has been compiled 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 Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) 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

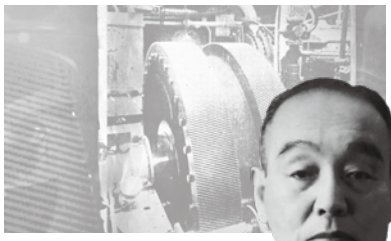
Accomplishing

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.

Our Starting Point






Since 1938

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

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.

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

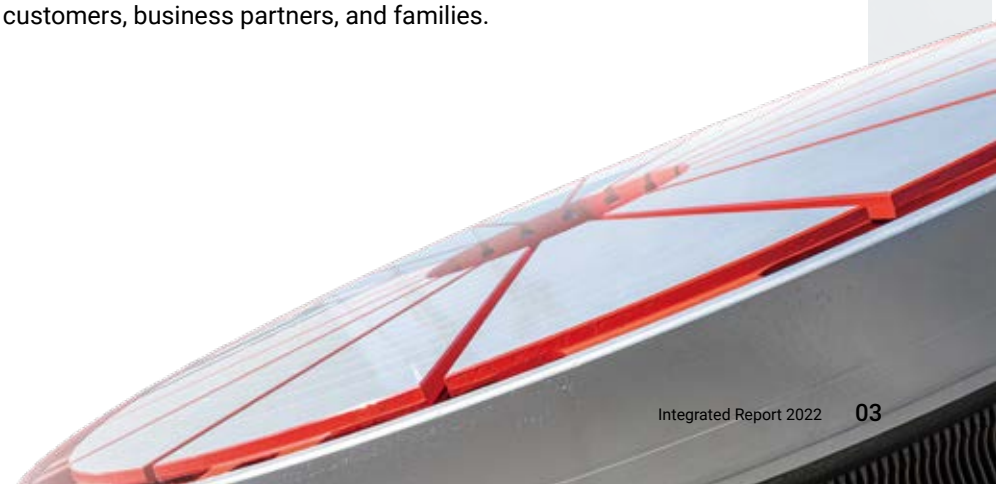
We take pride in our involvement in the industrial base and benefiting society everywhere.

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.



SHIBAURA MACHINE STORY

SHIBAURA MACHINE's Value Creation

About SHIBAURA MACHINE



Aspirations and Passion for Creation

We will continue to maintain our passion for benefiting key industries,
our underlying principle since our founding, and pursue both
solutions to social issues and enhancement of corporate value in the future.



SHIBAURA MACHINE Always Benefiting Key Industries

Business Evolution

1930s to 1940s
From military demand to postwar reconstruction

Development of large machine tools and concentration on the textile industry

A double column type planing machine

A textile machine

As a company aligned with national policy, we manufactured numerous large machine tools. In the post-war period, the textile industry helped drive the recovery of Japan's economy. Catering to this industry, we focused on applying core technologies for machine tools to the manufacture of such textile machinery as raw nylon yarn manufacturing equipment and spinning machines.

1950s to 1960s
High economic growth

Concentration on heavy industry and the development of molding machine operations

The HRS-500 master gear hobbing machine

A 65mm single screw extrusion machine

Demand for large machine tools recovered due to the flowering of heavy industry. We supported the shipbuilding industry by completing the first domestically produced master gear hobbing machine. Further, our efforts to meet customer needs through the use of technical competence established for machine tools resulted in the development of a series of molding machines that now form the basis of our core businesses.

1970s to 1980s
Overcoming recession to expand overseas

Active forays into overseas markets

Our U.S. subsidiary

Our subsidiary in Singapore

During an era of global economic turmoil caused by the oil shocks and other factors, the Company established a number of local subsidiaries in major overseas markets. Thanks to rigorous marketing, sales, and service capabilities, overseas sales increased.

1930 1940 1950 1960 1970

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

Moldings

1946 Mold production started

1956 Plastic mold completed

1968 Expanded to radiator-grill mold and automotive mold business

High precision machine tools

Electronic controls

1977 TOSNUC transferred from Toshiba Corporation

Industrial robots

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

Injection molding machines

1956 First injection molding machine (preplasticating method) completed

1981 Extra-large injection molding machine IS5000DN completed

Die casting machines

1953 Japan's first hydraulic die casting machine completed

1982 Magnesium hot chamber die casting machine DHM-300 completed

Hydraulic equipment

1963 Technology partnership for hydraulic equipment

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

Food machinery

1966 Draft beer automatic fixed quantity dispensing machine completed

Working in close partnership with customers, SHIBAURA MACHINE has provided them with solutions that the Company is uniquely qualified to realize. Through the provision of machines for the manufacture of products that support society's infrastructure, we have helped develop society and enrich day-to-day life.

1990s to 2000s

Collapse of Japan's asset-inflated bubble economy, global economic downturn triggered by the bankruptcy of Lehman Brothers, and the beginning of a low-growth era

From processing to molding and the creation of new businesses

An electric injection molding machine

A micro-pattern imprinting machine

Our plant in China

In response to an economic recession, we advanced selection and concentration and divested our food machinery and offset rotary press businesses. Meanwhile, the Company strengthened its molding machine business and established a production base in China. We also created a new business by combining ultra-precision machine tool technologies and molding technologies.

2010s to present

Toward a society interconnected by advanced technologies

Strengthening of the global supply chain and conversion to businesses that combine products and services

Our plant in India

Our plant in Thailand

Utilization of digital transformation

We strengthened our global supply chain through the establishment of plants in India and Thailand. By capitalizing on our technological prowess and digital transformation, we will convert to businesses focused on providing high-value-added combinations of products and services that solve the issues of key industries.

1980 1990 2000 2010 2020–FUTURE

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

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

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

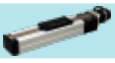
2016
High precision 5-axis machining center UVM-700E(5AD) completed

1980
Programmable logic controller (PLC) PMC-5 completed

2001
Injection molding machine controller INJECTVISOR-V21 completed

2018
Injection molding machine controller INJECTVISOR-V70 completed

1996
SCARA robot business transferred from Toshiba Corporation



2011
Compact cartesian coordinate robot BA-C compact arm completed

2022
SCARA robot THE 1000 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

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

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

1987
U-series hydraulic control valve completed

2007
Hybrid swing system development started

2015
Transfer of stocks

2020
Transfer of stocks

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

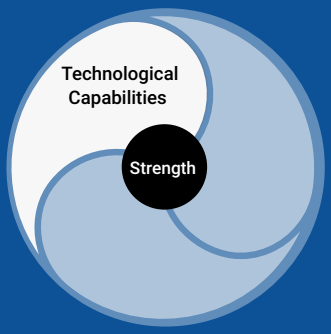
1981
Coffee Master SDM-10A completed

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.

By combining and establishing reciprocal relationships among strengths honed over many years, SHIBAURA MACHINE has provided values that only it can realize. We will continue enhancing these capabilities to unleash even greater potential.



Technological Capabilities

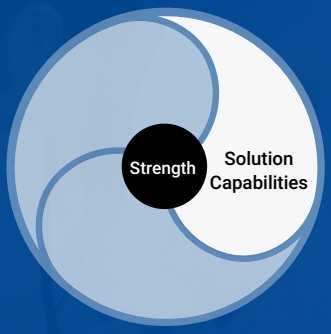
SHIBAURA MACHINE has always placed the utmost importance on its technological capabilities and the engineers who underpin them. Also, by building the equipment needed—even if the equipment is the first of its kind—and delivering a wide variety of customized products, we have accumulated technological capabilities in many different fields. This innovation-focused process has led to the formation of eight technological platforms. Based on these platforms, we are developing and manufacturing 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.

Eight Technological Platforms

For details, please see P.32

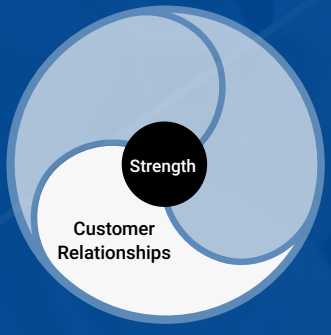
1	2	3	4
Realizing one-step advanced accuracy	Supporting diversified application fields	Integrative	Maximizing machine performance
Professional manufacturing, assembly, and measuring technologies	**Designing technologies for processing and molding machinery**	**Customizing technology**	**Material technology**

5	6	7	8
Optimized for each machine group	Supporting high precision	Based on understanding of target material	Using heat, light, and vacuum
Control, mechatronics, and IoT technology	**Slide and rotation**	**Molding technology originated from mold**	**Nano-processing technology**



Solution Capabilities

The Company has been able to resolve a variety of issues by providing solutions that it is uniquely qualified to realize, alongside leveraging strong relationships with customers. As companies continue transforming their business models to address social issues, technological needs are expected to increase. We will realize solutions by detecting social trends more quickly, identifying new issues, and finding countermeasures and by leveraging the expertise and technological capabilities that our businesses have garnered. Taking advantage of our strength as a solutions provider, we will work with customers to help address social issues, thereby remaining an entity with an important role to play in the creation of a new society.



Customer Relationships

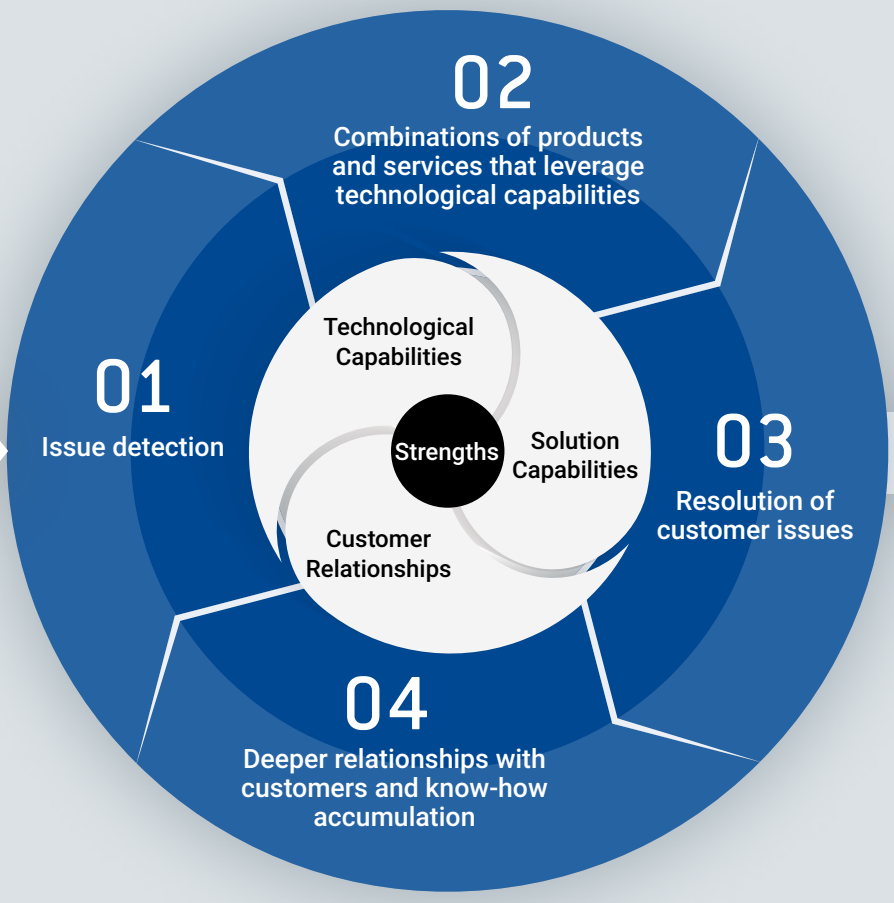
Although rarely used directly by consumers, the machines that we produce are used to solve our customers' issues, which in turn helps to address social issues. We have developed long-term relationships of trust with customers during the process of providing them with large customized machines with relatively long life cycles and in collaborating closely with customers to realize products suited to particular needs. Going forward, the long-term relationships of trust we have built with customers through intensive collaboration will give us an advantage as we transform our business model.

Continuing to Contribute to Key Industries

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

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.

OUTPUT

Our products

Injection molding machines, Die casting machines, Extrusion machines, Machine tools, High-precision machine tools, 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

→ Climate change and resource scarcity

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

→ Rapid urbanization and changes in population structures

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

→ Advancements in technology

* greenhouse gas

OUT-COME

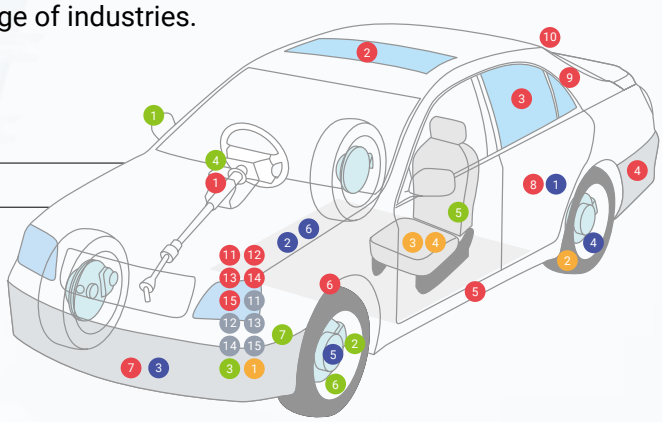
Addressing social issues

Contributing to the SDGs

SHIBAURA MACHINE Products—Supporting Manufacturing

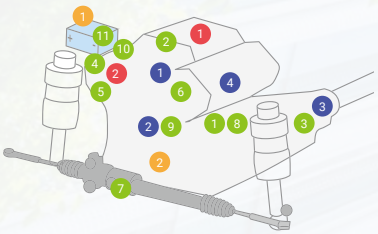
By capitalizing on its eight technological platforms, SHIBAURA MACHINE delivers differentiated value that meets customers' demanding standards in an extensive range of industries.

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

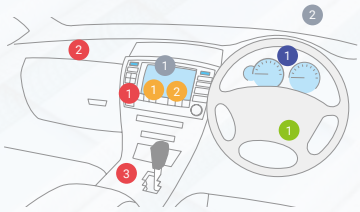
11 11 Lamp cover
12 12 Led diffusion lens
13 13 Headlight lens
14 14 Headlight reflector
15 15 Clearance lamp

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 mold
2 Frame mold
3 Bumper mold
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 mold

1 Car navigation system
2 Head-up display

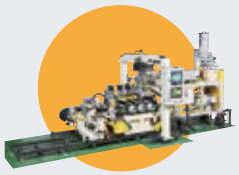
Injection Molding Machines

These machines mold plastic by injecting heated molten plastic into metal molds, which is then cooled and hardened.

Die Casting Machines

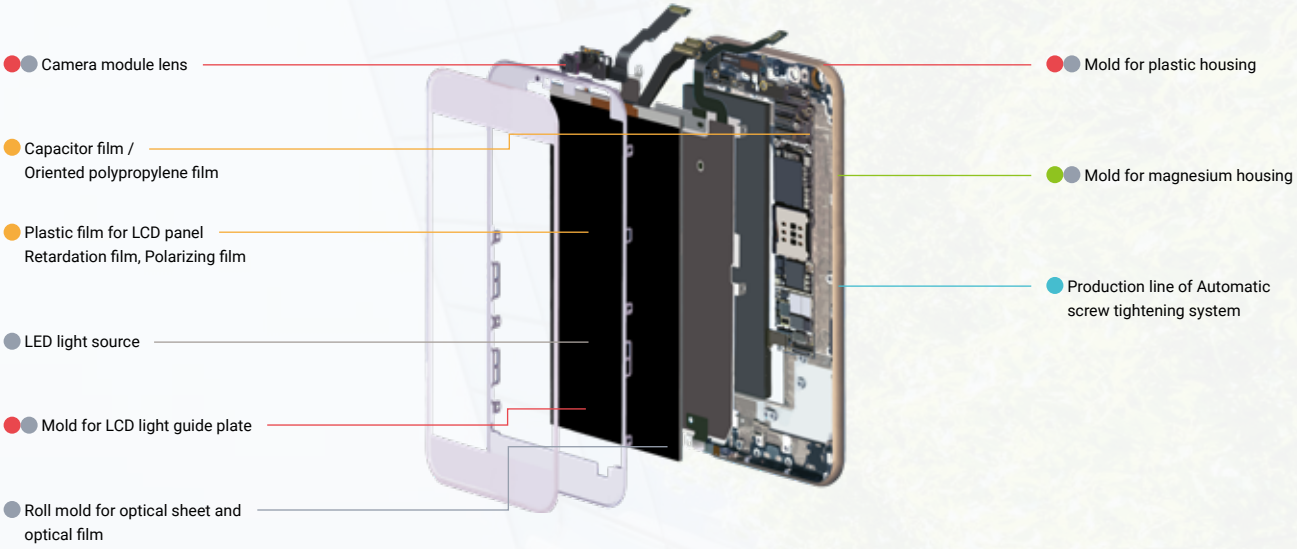
These machines cast products by applying high pressure to molten aluminum and magnesium and injecting it into molds.

Extrusion Machines



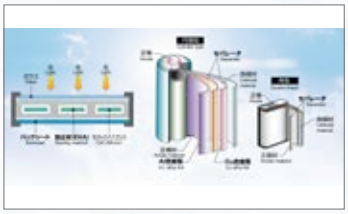
These machines form plastic by extruding heated molten plastic through extrusion ports and then cooling it through the use of air or water. Depending on the shape of the extrusion ports, the plastic is formed into sheets or hose shapes.

Smartphone Industry



Energy Industries

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



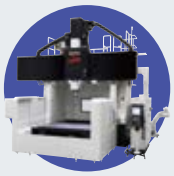
- For tube plate of the heat exchanger, boiler
- For rotation part of the wind mill

Food-Related Industries

- Heat-resistant tableware made of plant-based resin

- Plastic sheet for food packaging

Machine Tools



These machines mainly cut and grind metal workpieces into the required shapes. They are also called mother machines because they are indispensable in the manufacture of machines.

High-Precision Machine Tools

As types of machine tools, our high-precision machine tools are suitable for cutting and grinding optical and medical components that call for ultra-high-precision nanometer-level processing.

Electronic Controls

Our industrial robots include horizontal multi-articulated (SCARA), cartesian coordinate, painting, and vertical multi-articulated robots. SHIBAURA MACHINE's electronic controls are used in a diverse range of equipment and include servo systems, FA controllers, and linear motors.

A Message from the Chairman

Yukio Iimura
Chairman

With our sights set on our 2030 target profile, we will take on the challenge of innovation.

Becoming an Even More Resilient Company

Given the turmoil in the world at present, companies must be highly adaptable and resilient when faced with risk actualization. Drivers of this turmoil include a struggle against the COVID-19 pandemic with seemingly no end in sight, a shortage of semiconductors, inflation fueled by soaring resource prices and excess liquidity, and further acceleration of geopolitical fragmentation due to the conflict between Russia and Ukraine.

Although we are facing changes in the business environment that differ significantly from the assumptions made when the Management Reform Plan was announced in February 2020, we have been able to minimize the impact of these unforeseen changes through the introduction of an in-house company system and other management reforms. In fiscal 2022, ending March 31, 2023, we will make further progress to improve our profit structure, and, beginning from fiscal 2023, we will gradually reap the rewards of our reform efforts. At the moment, however, our reforms are still underway. In particular, reforms will not be complete until we resolve the issues that underly inefficiency, such as the long manufacturing cycles of large special purpose machines, which are our forte; reworking; and an imbalance between development costs and production volume.

As a matter of urgency, we must create a database of business processes, establish a shared business process architecture that transcends organizational boundaries, and realize "SHIBAURA DX (digital transformation)," which can simulate 99.7% of all processes in virtual space through the use of digital twins. Once we have established highly dynamic capabilities that allow the realization of profits from inaugural machines—even if they are special-purpose machines—we will be a truly resilient company that readily adapts to volatility.

Balancing Enhancement and Exploration

The SHIBAURA MACHINE Group has taken various measures to strengthen its corporate governance, including the establishment of a Board of Directors in which independent outside directors constitute a majority. As we formerly belonged to a large conglomerate, the external perspective-based opinions and recommendations of our outside directors have been especially valuable to us in the steady implementation of the Management Reform Plan. Meanwhile, I provide a different perspective from those of the outside directors as I was involved in management execution as the chief executive officer, but have transitioned to monitoring and supervising management execution since June 2021.

Since the postwar period, SHIBAURA MACHINE has consistently enhanced the performance and quality of existing products while exploring potential new products and realizing innovation through the combination of existing technologies and products. Precisely because we conduct management in this "ambidextrous" manner—which in recent years has been highlighted as an ability all companies should possess—we have been able to continue contributing to the development of key industries in each era.

Since the beginning of this century, finding a balance between enhancement and exploration has been of at most importance. For example, the exploration and commercialization of extrusion machines for lithium-ion battery separator film, often referred to as lithium-ion battery separator film production lines, has taken more than 20 years. After many years of obscurity, these machines are finally seeing the light of day. The production line for the injection molding machines is now being operated at full capacity by our subsidiary SHIBAURA MACHINE INDIA PRIVATE LIMITED in India, where domestic demand is growing amid population growth and rising income levels. A long time was required before the subsidiary was able to contribute to the Group's profits. After acquiring the injection molding machine operations of a local manufacturer in 2012, we developed local management, built relationships of trust, and transferred technology from Japan.

We have a responsibility to transform our profitability and further improve existing businesses by advancing the Management Reform Plan. On the other hand, focusing too much on such enhancement and only pursuing near-term profits would jeopardize the future of SHIBAURA MACHINE. As someone who is well versed in the inner workings of management, my responsibility is to encourage the creation of a corporate entity that constantly renews businesses and plants the seeds of future businesses by devoting the same amount of energy to ambitious long-term exploration initiatives as it devotes to enhancement-focused initiatives.

Meeting Modern Corporate Management Responsibilities

At our annual welcome ceremony in April, when I see bright-eyed 18-year-old employees who have just graduated high school, I always have the same thought. Corporate managers bear the extremely weighty responsibility of creating a stable place where these employees can improve their standard of living, have families, raise children, and lead happy lives, as many employees will work for SHIBAURA MACHINE for more than 50 years until retirement. Some see shareholder capitalism and stakeholder capitalism as opposing concepts. However, I believe that this opposition vanishes if one conducts business management based on a longer time frame. In other words, in fulfilling their long-term responsibility to shareholders as the owners of companies, today's corporate managers must equally meet responsibilities to local communities, the global environment, and the employees whose lifestyles will be influenced by such companies for more than 50 years.

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. To realize this ideal role, we will increase our focus on the future and step up exploration-based initiatives. In this way, by fulfilling a fundamental corporate commitment to helping key industries overcome challenges—which dates back to the philosophy expounded by our founder in 1938—we will achieve sustained enhancement of corporate value.

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

August 2022

Chairman

A Message from the President

We are fully committed to accomplishing the Management Reform Plan so that we can take our next step forward and continue contributing to the manufacturing operations of key industries.

Conversion of Social Change into Opportunity

In February 2020, SHIBAURA MACHINE announced the Management Reform Plan, which ends in fiscal 2023. Around the same time, the COVID-19 pandemic emerged in earnest, and the two and a half years since have seen the pandemic cycle through phases of containment and resurgence. In February 2022, Russia invaded Ukraine, and the global economy has been shaken by further hikes in resource prices and disruptions in the supply chains of semiconductors and other commodities. Although these unforeseen events have forced us to take short-term emergency measures, our medium- to long-term direction remains unchanged.

As Japan's economy transitioned through periods of high growth and stable growth to reach maturity, companies introduced new manufacturing equipment that enabled low-cost, high-quality production in step with the changing needs of society and people. To cater to this evolving social demand, SHIBAURA MACHINE has provided products in a growing number of fields since its founding in 1938. After beginning with the manufacture of machine tools, we moved on to produce injection molding machines, die casting machines, extrusion machines, high-precision machine tools, industrial robots, and electronic control systems.

As for the future, society is sure to change drastically, and a series of new markets will emerge. Just as we have in the past, we will see a significant increase in opportunities for us to benefit society. Although energy security concerns have led to a temporary return to fossil fuels, a medium- to long-term trend toward decarbonization has begun unfolding and is unlikely to be reversed. In fact, thanks to the rapid growth of the electric vehicle market, demand for our extrusion machines for lithium-ion battery separator film, is burgeoning. On the other hand, this demand will not last forever. Eventually the market will mature, and technological innovation is likely to form new markets. A good example of this process is the emergence of all-solid-state batteries, which promise to become a means of energy storage in the coming generation. For these products, we have another technology at our disposal, which is distinct from lithium-ion battery separator film production lines.

SHIBAURA MACHINE is not just a machine tool manufacturer, nor is it an extrusion machine manufacturer or an injection molding machine manufacturer. We want to remain a manufacturing equipment supplier that continues contributing to key industries' manufacturing capabilities as they evolve with the times. For this reason, we must maintain and advance our technologies and expertise. However, as long as we are a listed company, we will not be able to earn endorsement for such efforts if our businesses continue at record low or negative profitability. To maintain and continue developing our technologies, we must accomplish the Management Reform Plan.

Management Reform Plan to Date

In realizing New SHIBAURA MACHINE Long-Term Vision 2030, which provides a road map for seizing the opportunities arising from megatrends, we have to build a profit structure that establishes a virtuous cycle of stable profit generation and investment in R&D and human resources. The Management Reform Plan, our medium-term management plan covering the period through fiscal 2023, focuses on profits and decisive reform of our low-profit structure. The plan's fiscal 2023 quantitative targets are

Shigetomo Sakamoto

President
Chief Executive Officer
Chief Operating Officer

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%.

For nearly 80 years, we belonged to the Toshiba Group and conducted business activities under the protection and governance of certain major shareholders. This history has made our corporate culture and organization rigid and inward-looking. Our low profitability is due more to these in-house factors and less to such external factors as fiercer competition with companies from China and other Asian countries or stagnation in the domestic market. With more than five years having passed since our departure from the Toshiba Group, we must fundamentally change an ingrained culture of inefficiency if we are to survive on our own. However, changing the ways we approach work, which have become entrenched over our long history is not easy. Rather than communicating messages that appeal to employees' emotions, we are explaining logically what the changes mean and introducing new systems without hesitation.

As a first step, we abolished a business unit system that had been in place since the Company's founding about 80 years ago and replaced it with an in-house company system. We reorganized because the vertically rigid structure of the business unit system—which was premised on the steady growth that each business achieved in previous eras—had begun to weigh heavily on profitability amid softening market growth and increased uncertainty. We reorganized seven business units into the Molding Machine, Machine Tool, and Control System in-house companies. At the same time, we consolidated overlapping R&D and procurement functions to establish the R&D Center and the Production Center, which oversees production and procurement. In conjunction with this reorganization, we lowered fixed costs through the launch of a voluntary retirement program and the reassignment of personnel. Also, we are reorganizing plants to consolidate closely related machines, thereby creating technological synergies, improving design efficiency, and increasing the liquidity of fixed costs that are centered on human resources. We are in the process of consolidating molding machines at the Numazu Plant, machine tools at the Gotemba Plant, and control systems at the Sagami Plant.

We have also relocated production to the most suitable regions in Japan and overseas. In China, India, and other parts of Asia, cost competitiveness will be required given the expected increase in the volume of general-purpose products. With this in mind, we have established a strategy of shifting the production of general-purpose products overseas while focusing on the production of high-value-added products, such as large special-purpose machines and large machines, in Japan. Also, we consolidated the production of selective compliance assembly robot arm (SCARA) robots and small and medium-sized injection molding machines in China, Thailand, and India.

Other initiatives include the consolidation and elimination of small inefficient bases in Japan and overseas. In addition, we are improving asset efficiency by utilizing part of the Sagami Plant site to jointly commercialize a logistics facility through a business alliance with Mitsui Fudosan Co., Ltd. In fiscal 2021, the aforementioned reforms began to produce concrete benefits.

Results of Fiscal 2021 Management Reforms

In fiscal 2021, both sales and profits were up year on year. While orders rose in all business segments, production leveled off due to difficulties in procuring components. Further, our plant in Shanghai suspended operations, and logistics were disrupted. Due to such factors, net sales fell short of an upwardly revised forecast. On the other hand, operating income and the operating margin were in line with targets thanks to reforms implemented to date, which absorbed cost-increasing factors.

In particular, the transition to an in-house company system has proven very effective, and the system whereby each in-house company is responsible for the maximization of profits has become well established. Also, the visualization of business management has enabled a more accurate understanding of the effects of investments. As target industries and fields have been clarified, rapid responses to changes have become possible. The integration of the injection molding machine and die casting machine production departments has enabled us to transfer personnel to the lithium-ion battery separator film production lines—which continues to operate at full capacity—and to increase production capacity. This reorganization has also improved

profitability. The benefits of reorganizing overseas bases supported our performance in fiscal 2021. For example, the consolidation of general purpose products improved the capacity utilization and profitability of our plants in Thailand.

In fiscal 2022, we aim to achieve net sales of at least ¥120.0 billion and operating income of ¥6.0 billion, which are the targets of our medium-term management plan. We will move forward while diligently implementing countermeasures for a range of risk factors that could potentially place downward pressure on earnings. As in fiscal 2021, we will continue to give first priority to meeting our supply responsibilities, and the Production Center will lead all-out efforts to source components and materials. At the same time, we will provide customers with detailed explanations and request higher selling prices. Needless to say, we will also forge ahead more vigorously than ever with productivity improvement based on the Management Reform Plan.

Further Advancement of Reforms

As I mentioned, through the establishment of an ideal production system led by the Production Center, we have made progress in eliminating inefficiencies, which is the main focus of the Management Reform Plan. However, we still have some way to go. In June 2022, a new assembly line for high-precision machine tools started up at the Gotemba Plant, which plans to improve profitability by increasing sales to around ¥10.0 billion. Although the management of investment efficiency is on track with regard to such new facilities, considerable scope remains for eliminating wasteful work practices, which have built up over the years. For example, we must advance the integration of injection molding machines and die casting machines not only with respect to manufacturing but also in development and sales. Also, the huge number of control systems that we have accumulated over the course of business development has resulted in inefficiencies in terms of maintaining components and expertise. In rectifying these inefficiencies, we will persevere with efforts to raise awareness of sales per person and ROA among frontline personnel, efforts that can also be called a reform of our corporate culture.

At present, due to the ongoing depreciation of the yen and soaring labor costs overseas, some products are seeing a reversal of the disparity in manufacturing costs between Japan and elsewhere. Therefore, we must carefully allocate production so that we maintain capacity utilization at overseas plants while realizing the highly profitable domestic production that is currently possible. However, we have no intention of changing our medium- to long-term strategy of producing standard equipment overseas and high-value-added products in Japan. In China, Thailand, and India, we will increase production efficiency, grow profits, and curb the impact of exchange rate fluctuations by pursuing the mass production of a limited variety of products, increasing the percentage of locally procured components and materials, and advancing local production for local consumption. Among these overseas efforts, we have particularly high expectations of India's market.

In 2012, SHIBAURA MACHINE acquired an injection molding machine manufacturer in India and began local production. Since then, we have increased production several times, and our plant in India is currently operating at full capacity. The country is moving into a phase of development where the working-age population is a rising percentage of the total population, and disposable income is increasing. Given this demographic and economic change, substantial growth is expected in the markets for automobiles, home appliances, medical equipment, construction materials, containers, and other products. Further, various global manufacturers are expected to enter the market as a way of dispersing geopolitical risk. To capture this significant potential, we are ramping up the production capacity of our plant in India. The start-up of a new plant in the second half of fiscal 2023, which will be capable of manufacturing not only small but also medium-sized to large hydraulic injection molding machines, will raise annual production capacity from the current level of 1,200 units to 3,200 units. With demand for all-electric injection molding machines increasing in relation to medical devices, general-purpose products, and Japanese automobiles, this market is expected to nearly triple in size over the next 10 years, and we will cater to this demand by establishing a new plant. Our most important efforts to increase production will focus on lithium-ion battery separator film production lines.

"Concrete benefits are beginning to be produced by the reforms implemented so far. To complete these reforms, we will forge ahead even more vigorously."

Lithium-ion Battery Separator Film Production Lines: Our Advantages

Convened in October 2021, COP26 (the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change) issued a declaration: "Together, we will work towards all sales of new cars and vans being zero emission globally by 2040, and by no later than 2035 in leading markets." In response, the shift to electric vehicles is accelerating in China, the world's largest electric vehicle market, and in other major markets. As a result, our orders for lithium-ion battery separator film production lines have grown to ¥80.0 billion as of March 31, 2022. Going forward, given that sales of this equipment are expected to reach to ¥100.0 billion—which is equivalent to our consolidated sales—we will significantly strengthen our production capacity by utilizing machine tool space and reassigning personnel under an organization dedicated to lithium-ion battery separator film production lines, which was established in the current fiscal year. We expect demand to remain robust until around 2030, when the commercialization of all-solid-state batteries is expected to begin in earnest.

Worldwide, only about three manufacturers can supply lithium-ion battery separator film production lines. However, high-precision full-line engineering capabilities make SHIBAURA MACHINE the only manufacturer able to supply customers with entire production lines that extend from raw material supply through to take-up units. Against the backdrop of heightened geopolitical risks and other factors, end-product manufacturers are increasingly reshoring production and moving it in-house. We help such customers to shift production bases promptly and reliably by guaranteeing all processes through to the completion of customer products. The leveraging of this differentiating factor will ensure that we tap demand. That said, since excessive dependence on lithium-ion battery separator film production lines could become a long-term risk, we will invest the earned capital in the development of our future mainstays.

New SHIBAURA MACHINE Long-Term Vision 2030

Under the Management Reform Plan, we have set out measures that will prepare for the realization of the next medium-term management plan. Specifically, we will complete productivity improvement measures. Then, with a lean profit structure firmly in place and an eye on M&As, we will pursue profitable top-line growth. All of our initiatives will align with New SHIBAURA MACHINE Long-Term Vision 2030, which establishes the overall direction of growth by calling on us to address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends.

The significant opportunities that megatrends are producing for SHIBAURA MACHINE are not limited to those resulting from the decarbonization trend I mentioned at the beginning of this message. A major wave of change is sweeping through virtually all key industries as they advance toward the achievement of the Sustainable Development Goals, and we can help these industries solve a wide range of issues. For example, the automotive industry is undergoing major structural changes, which are needed to enable the manufacture of connected, autonomous, shared, and electric (CASE) vehicles. Consequently, this industry is confronting many critical tasks, including energy storage and reduction in the weight and number of components. We assist automakers by providing a wide range of products, such as die casting machines and large injection molding machines, both of which realize thin structural components and materials for car bodies. Our SCARA robots and other industrial robots also help mitigate labor shortages, which have become a pressing social issue for the manufacturing industry. In addition, we have a variety of products that save energy and resources in production processes.

P.36 Social Issues Addressed by SHIBAURA MACHINE

For many years, our industrial machinery operations focused on contract development and production tailored to customer

We will help solve the array of issues faced by key industries as they undergo major transformations.

needs, and we sought added value and competitiveness based on customization, performance, durability, and low cost. In contrast, developing new businesses that combine products and services and thereby increase earnings opportunities and profitability—a Companywide strategy set out in New SHIBAURA MACHINE Long-Term Vision 2030—entails anticipating customer issues and proactively proposing solutions based on products that are packaged with high-value-added services. As a platform for creating new technologies, the R&D Center is leading efforts to advance and prepare for the further evolution of "SHIBAURA DX" that is aimed at developing new functionality and providing new process-related services

"SHIBAURA DX" is reforming our business model by focusing on two goals. The first goal 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. Our use of digital twins will enable customers to shorten lead times and realize further improvements in performance and quality. For us, digital twins will dramatically improve productivity by eliminating reworking, a perennial problem associated with special-purpose machines. We hope to establish some digital twin capabilities during the period of the current medium-term management plan.

The other main goal of "SHIBAURA DX" is to help realize smart factories by connecting equipment through a common protocol, collecting operational data, and using AI for issue analysis and diagnosis that avoids sudden production stoppages. The packages of peripheral subscription services that we have begun rolling out for products in the United States are the first step toward this second goal. These packages include planning-stage engineering services as well as after-sales services that predict the failure of operating machines. By introducing these services to Japan and other countries and extending the scope of services to encompass many different products and ultimately entire plants, we will transform from a business model that is focused on the stand-alone sale of products into a stock-based business model.

In heightening added value through the aforementioned business model transformation, attracting and developing human resources is essential. In particular, we must hire personnel with advanced professional skills to accelerate "SHIBAURA DX." To this end, we are strategically revamping our personnel system. In fiscal 2021, we introduced a job-based personnel system for some management positions, and plan to introduce a similar system for general employees in the current fiscal year.

Our Determination to Achieve Goals

Since changing our trade name to SHIBAURA MACHINE and setting out on a path of independence and self-reliance, we have sometimes received kind support and sometimes harsh criticism from our shareholders, investors, and other stakeholders. I believe that such involvement and intensity on the part of stakeholders will transform us into a robust corporate entity. We understand that the numerical targets of the Management Reform Plan may not seem exceptional when compared with those of other companies. Nonetheless, the achievement of these targets is a responsibility that we are extremely determined to fulfill.

As we continue reforms, I would like to ask our stakeholders for their continued support and guidance.

August 2022

President
Chief Executive Officer
Chief Operating Officer

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	**Sales** ¥135 billion yen	**Operating profit ratio** 8.0%	**Payout ratio** Prospect of 40% (During the period of “Management Reform Plan”)	**ROE** 8.5%

Specific measures

Management 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

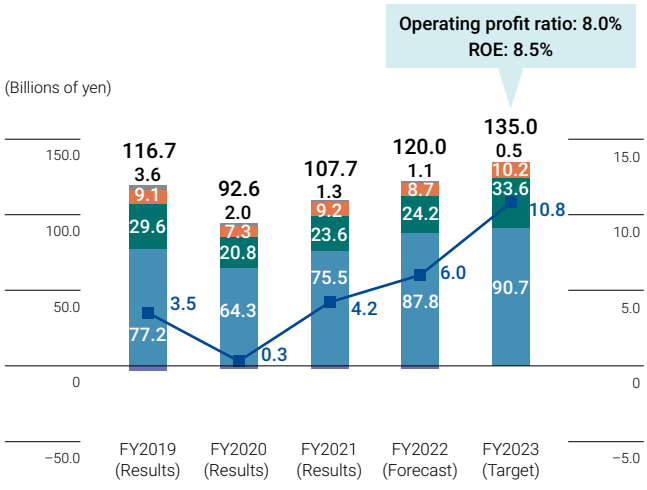
(iv) Promote growth investments aimed at expanding applications in fields expected to grow in the future

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

Management Reform Plan



Note: The net sales of respective segments include intersegment transactions.

Change of the external business environment

Factors that are newly introduced since the planning of the Management Reform Plan (February 2020) due to the change of the business environment

Positive

- ✓ Stepped-up pace of vehicle introduction → Increase in orders for lithium-ion battery separator film production lines
- ✓ Materialization of the India production plants of Japanese automobile manufacturers
- ✓ Efficiency improvement and reduction of business trip expenses by utilization of WEB tools

Negative

- ✓ Acceleration of transition to EV → Decrease of orders received for die casting machines
- ✓ Restriction of sales and service activities and production due to the outbreak and prolonged COVID 19 pandemic
- ✓ Difficulty in procurement of electrical components including semiconductors
- ✓ Soaring steel and energy prices and transport costs

Results during the First Half of the Management Reform Plan (Fiscal 2020–Fiscal 2021)

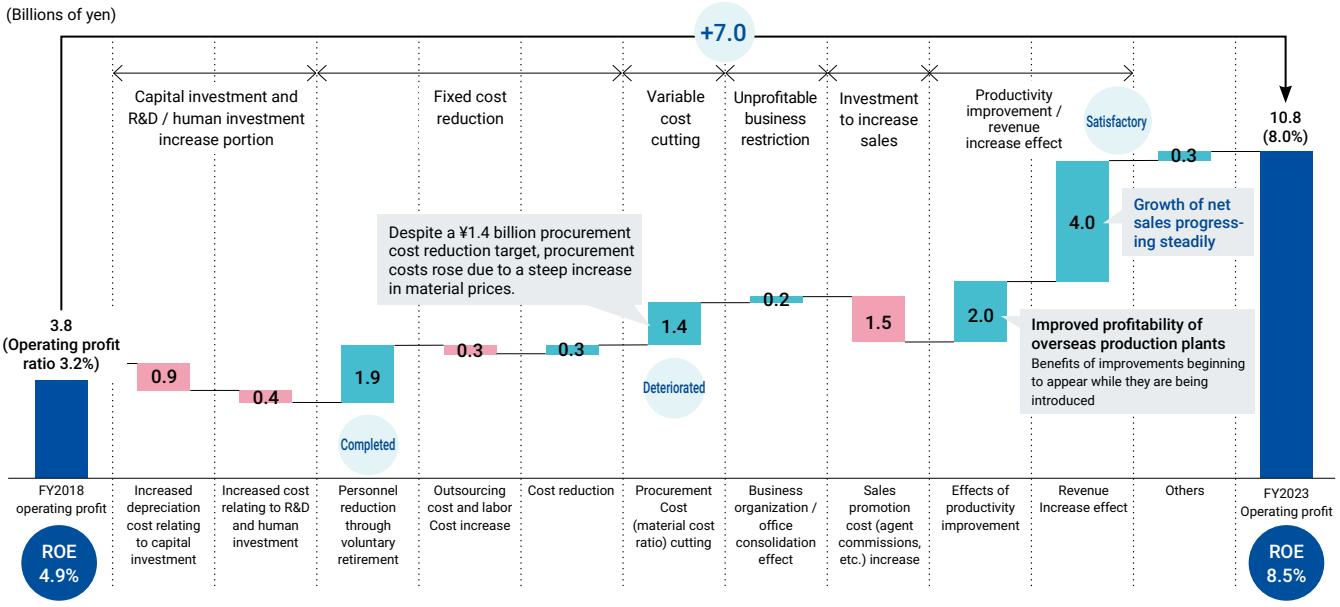
Our management reform centered on reorganization, which included the introduction of an in-house company system as well as the establishment of the R&D Center and the Production Center. This reorganization was accompanied by the realignment of domestic and overseas production bases and the introduction of voluntary retirement. Also, we introduced a human resource system that enables diversified employee compensation and career development as well as the utilization of diverse expert personnel. Moreover, we made management reform and business management more visible.

	Policy	Progress in FY2020 and FY2021
Production reform	• Reorganization of domestic production system (Structuring according to the shift of the internal company system) • Transfer of general purpose machine production to overseas plants	• Integration of manufacturing divisions of injection molding machines and die casting machines • Transfer of production of small injection molding machines, die casting machines, and SCARA robots to overseas plants ⇒Improved profitability of overseas production plants
Sales reform	• Reorganization of sales process • Review of domestic offices and overseas offices	• Operation commencement and stabilization of business activity visualization system (Monitoring of negotiation amounts and negotiation) • Closure of UK distributors
HR system reform	• Construction of a new HR system ▶P.40 ➤ Introduction of some elements of a JOB based HR system	• Application of the system for managers (Commenced in April 2021) • Application of the system for union members (Commenced in April 2022)
Visualization of business management	• Construction of a management account system ➤ Automatic aggregation of management figures ➤ Installation of a multiaxial analysis function	• Began automated aggregation of management figures • Completed introduction of multifaceted analytic capabilities

Management Reform Plan—Effects of Reform of the First Half (FY2020-FY2021)

Near-term procurement costs increased significantly due to shortages of procurement items—mainly semiconductors and electrical components—as well as the soaring prices of components, materials, energy, and logistics. However, the benefits of various measures emerged, including lower fixed costs as a result of voluntary retirement implemented in fiscal 2020 as well as improvement in the profitability of overseas plants accompanying the reorganization of domestic and overseas production bases.

Implementation of Measures and Expected Effects of the Management Reform Plan (Operating Profit Impact) and Progress Evaluation as of the End of Fiscal 2021



Management Tasks for Management Reform Plan FY2022

Productivity Improvement

We will continue reorganizing domestic and overseas production bases to improve productivity. In fiscal 2022, we will generate profits by increasing productivity through the mass-production of a limited variety of products. As part of these efforts, our plant in China will increase production of SCARA robots, while our plant in Thailand will ramp up production of electric injection molding machines.

Create profits by improving productivity through small variety mass production

		FY2020	FY2021	FY2022	FY2023
China plant	• Transfer of SCARA robot production • Increase in percentage of locally procured components and materials		Production 850 units / year	Production 2,300 units / year	Production 4,800 units / year
Thailand plant	• Benefits of the increased production of electric injection molding machines • Increase in the percentage of locally procured components and materials	Consolidated the production of small electric injection molding machines Production 19 units / month	Production 50 units / month	Production 50-60 units / month	Production 60 units / month
India plant	• Consolidation of hydraulic injection molding machines • Increase in the production of medium- to large-sized hydraulic injection molding machines • Consideration of electric injection molding machine production	Acquisition of neighboring land	Consolidated hydraulic machines Plant investment plan	Convert to in-house production of large-structure injection molding machines Construction of new plant	Operation of new plant

Expansion of Indian Market

To meet the higher demand expected from India’s rapidly growing market, we will establish a new plant at our plants with the aim of increasing production capacity for medium- to large-sized hydraulic injection molding machines and small hydraulic injection molding machines. Also, we will consider the production of electric injection molding machines to capture demand for conversion from hydraulic machines to electric machines, which is rising due to a growing need to decarbonize.

Sales promotion of injection molding machines to the fast growing Indian market

Increase of medium- to large-sized machines (In particular, for the automobile industry)

- Growth in the markets of white goods, building materials, containers, and automobiles is expected due to population growth.
- Japan’s automakers are expected to enter India’s market.

Increased production of medium- to large-sized hydraulic injection molding machines

Plan to start operation during FY2023

Expansion of the plant production area + Updating of process facilities

1,200 units/year ⇒ 3,200 units/year (including the new plant operation)

Demand for switching from hydraulic machines to electric machines

- Led by the medical / container industry and Japanese automobile manufacturers
- Rate of electrification
  FY2021 11.5% ⇒ After 10 years 20pts.UP (31.5%) forecast

Consideration of electric injection molding machine production

Increase of Lithium-ion Battery Separator Film Production Lines

The demand for lithium-ion batteries, which power electric vehicles, is growing dramatically as the introduction of electric vehicles progresses amid a worldwide trend toward decarbonization. SHIBAURA MACHINE lithium-ion battery separator film production lines, which manufactures separator film—a component of these batteries— and is seeing a significant rise in orders.

To cater to this demand, in the first half of fiscal 2022 we doubled monthly production capacity from two to four production lines.

Aiming at lithium-ion battery separator film production lines sales of 100 billion yen

From October 2021	2nd half of FY2022
Production, 2 lines / month*	Production, 4 lines / month

* Full line

The strength of our company is the ability to provide high precision products (thin and uniform) from our full engineering line

Capital Investment

SHIBAURA MACHINE will proceed with investments focused on growth fields (India's market and high-precision machine tools), digital transformation, and the reorganization of the Numazu Plant.

We are revising the prioritization of capital investment. For example, we are giving priority to construction that will raise production capacity for lithium-ion battery separator film production lines, thereby responding to the dramatic rise in demand for lithium-ion batteries. Meanwhile, we will postpone a plan to rebuild the Numazu Plant.

Major capital investment plan and operation schedule (about 23 billion yen)

Category	Investment purpose	FY2022 H1	FY2022 H2	FY2023 H1	FY2023 H2
Management	• Profit creation by the effective use of company assets				Start of joint operations at Sagami Logistic Center
Sales Service	• Expansion of the service business by DX utilization	Start of injection subscription service (in USA)		DX	Horizontal development to other regions
Technology	• Use of DX to eliminate reworking in development and design (Productivity Improvement)	Operation of new 3D CAD		DX	
Production (Domestic)	• Realization of the sales achieved by the high precision machine tools to the 10 billion yen scale • Reorganization of Numazu Plant	Operation of Gotenba precision assembly plant			Operation of Gotenba Marshalling Center Start of designing Numazu Plant
Production (Overseas)	• Capturing of demand in India's growing market	Installation and operation of India plant machine tools			Operation of new India Plant

New SHIBAURA MACHINE Long-Term Vision 2030

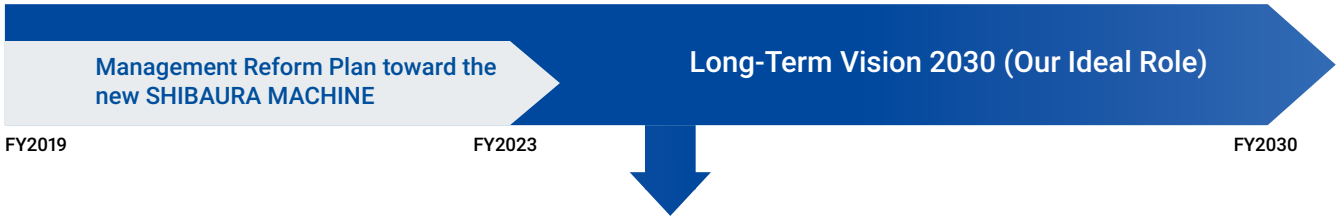
On March 5, 2020, we announced New SHIBAURA MACHINE Long-Term Vision 2030. We formulated this long-term vision to ensure sustained growth beyond fiscal 2023, the final fiscal year of the Management Reform Plan.

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

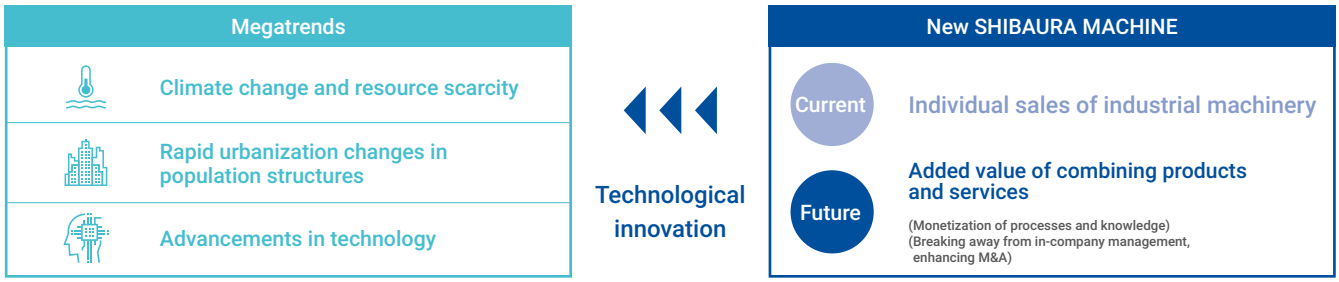
Setting out our ideal role, Long-Term Vision 2030 calls on us to address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends. In line with this vision, we believe that our social mission—and the way to 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)



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

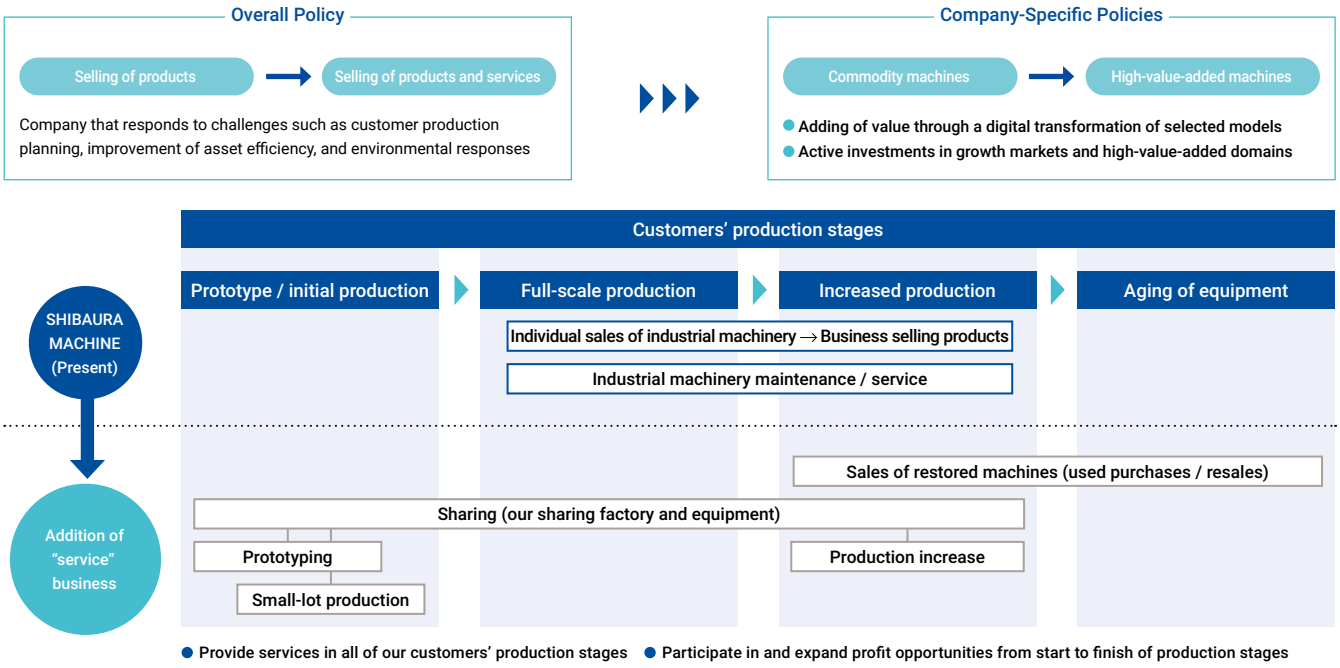


Four Directions of Long-Term Vision 2030

- 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.



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	• Large machines • Special, dedicated machines • High-precision machine tools	• 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	• Engineering solutions • Dissimilar material joining machines	• Injection molding machines • Die casting machines	• Domestic production of standard hydraulic machines
Extrusion machines → Business expansion through investment Energy / Devices / New materials	• High-pressure continuous presses (batteries, etc.) • Reactive extrusion machines (biomass, etc.)	• Extrusion machines	• Conical-type extruders
Control Systems Company Specialize in external sales and strengthen engineering solutions Automation / Labor saving	• Collaborative robots • AMR*	• Robots • Servo motors, controllers	• NC, controllers (utilizing of external alliances)
New Business 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 (batteries, ceramic capacitors, optical components, etc.) • Imprint equipment: Water purification and sterilization market (Deep-UV LEDs)		

DX (Digital transformation)

* Autonomous Mobile Robot

Evolving Our Business Portfolio (Expanding Existing Businesses)

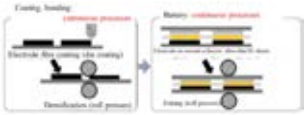
We will continue to expand and strengthen existing businesses to provide added value through a wide range of products and help address social issues. Amid the global trend toward decarbonization, we have a variety of products that can contribute to decarbonization initiatives.

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 extrusion machines

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

Weight saving and recycling

Aluminum car frames

CFRP parts

Evolving Our Business Portfolio (Creating New Businesses)

Through the provision of film casting equipment, coating machines, and Imprinting 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 addition 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.

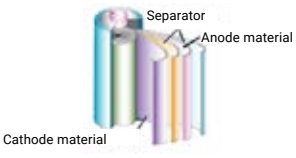
High-performance films and Electronic devices

Coating machines

Function improvement via coating dissimilar materials to surfaces

Batteries, ceramic capacitors, and optical components

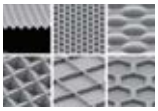
High-performance separator films



Healthcare

Imprint equipment

Function improvement via adding fine shapes to surfaces



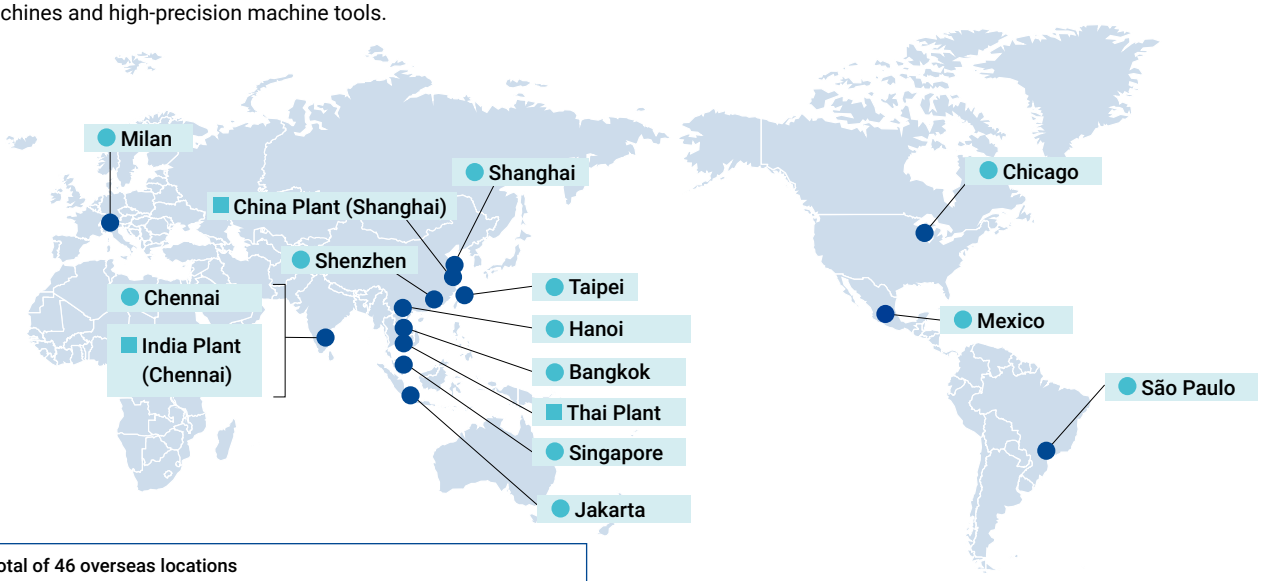
Water purification and sterilization

Deep-UV LEDs

Source: JST New Technology Presentation Meetings materials

Growing Overseas Sales

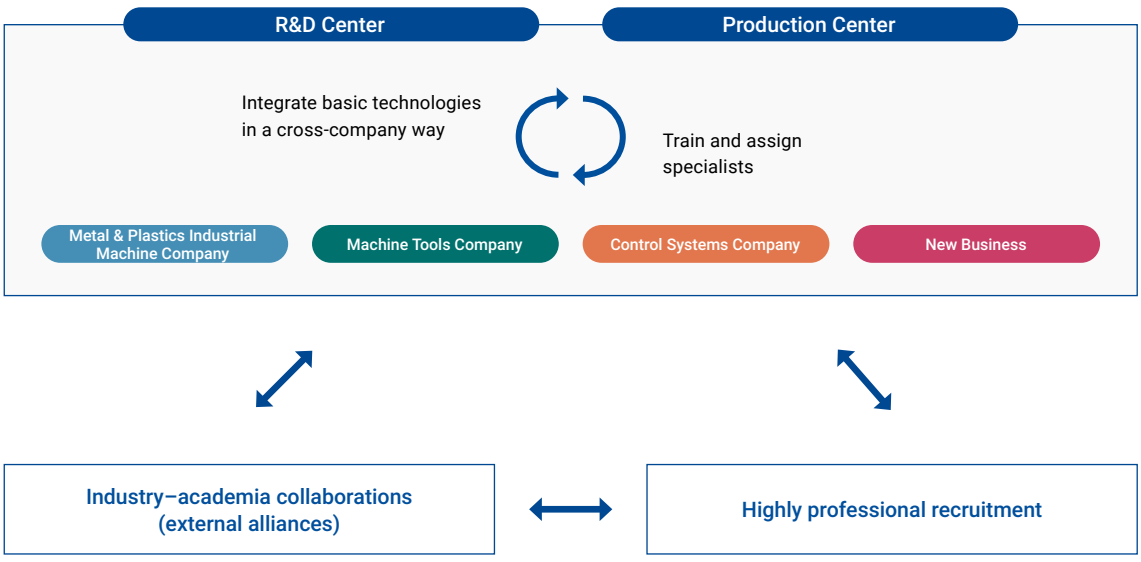
The SHIBAURA MACHINE Group has 46 overseas production bases, and overseas sales account for more than 50% of Companywide net sales. However, overseas sales of machine tools account for around 30% of our machine tool sales, a small share given that, on average, industry peers sell around 60% of their machine tools overseas. 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 machine tools.



Total of 46 overseas locations
● 12 local sales subsidiaries / ■ 3 local manufacturing subsidiaries
(As of March 31, 2022)

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.



/ A Message from the CFO /

Setting our sights on the completion of the Management Reform Plan and beyond, we will seize opportunities through steady investment and realize appropriate risk control.

Hiroaki Ota
Director
Chief Financial Officer, Executive Operating Officer
In charge of Corporate Strategic Planning Division and Corporate Administration Division

Second Year of the Management Reform Plan

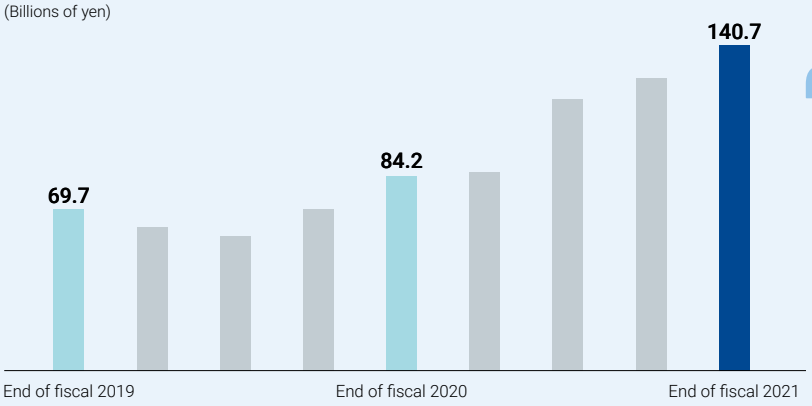
Based on the Management Reform Plan, we aim to achieve ROE of 8.5% by fiscal 2023, which is above the expected cost of shareholders' equity, and to establish profitability that will sustain the improvement of corporate value. Given the susceptibility of our business to economic fluctuations, our basic policy is to maintain the equity ratio at its present level so that we can steadily implement investments in line with the New SHIBAURA MACHINE Long-Term Vision 2030 and provide stable dividends to our shareholders. During the period of the Management Reform Plan, we have earmarked approximately ¥15.0 billion to fund shareholder returns, and we are targeting a dividend payout ratio of around 40.0%. To reach this target, our ROE improvement efforts will focus on increasing profits. Aiming to achieve our targets, we have established net sales per employee as a key performance indicator and endeavored to improve selling and general and administrative expenses as a percentage of net sales. Moreover, we are effectively utilizing assets through such initiatives as a reorganization of plants in Japan that will enable the utilization of part of the Sagami Plant site to jointly commercialize a logistics facility in alliance with Mitsui Fudosan Co., Ltd. In addition, we will concentrate investment on fields where we enjoy competitive advantages.

In fiscal 2021, the year ended March 31, 2022, and the second year of the Management Reform Plan, sales and profits grew year on year due to an increase in orders for lithium-ion battery separator film production lines, which resulted from higher electric vehicle-related capital investment; a rise in orders for all-electric injection molding machines, which reflected a trend toward decarbonization in North America; and an increase in orders for injection molding machines in India. In light of our position in the first half of fiscal 2021, we upwardly revised our performance forecast in November 2021. However, full-year net sales fell short of the revised forecast due to delays in production, installation, and acceptance inspection, caused by a resurgence of the COVID-19 pandemic, difficulties in procuring components, a lockdown in Shanghai, and logistics disruption. On the other hand, operating income and the operating margin were approximately in line with the forecast, despite hikes in material prices and transportation costs. The Management Reform Plan calls for a ¥1.4 billion reduction in procurement costs. In fiscal 2021, difficulties in procuring semiconductors and other components and materials in fact led to an unavoidable increase in costs of about ¥2.0 billion. Nonetheless, profitability improved thanks to enhanced productivity, which resulted from our previous reduction of fixed costs and the introduction of an in-house company system.

Progress of Capital Efficiency Improvement

At the end of fiscal 2021, total assets had increased, while the equity ratio had decreased significantly from 61.0% at the previous fiscal year-end to 50.0%. Beginning from the first quarter of fiscal 2021, due to the adoption of new revenue recognition standards, our recognition of product sales changed from the recognition of revenue at the time of shipment to the recognition of revenue at the time of acceptance inspection. Against this backdrop, the pandemic disrupted sea and land transportation, and restrictions on overseas travel delayed installations at customer sites. Consequently, we accumulated product inventories, one of the main reasons for a temporary rise in total assets. Another factor was that inventories, which we had been reducing by shortening production lead times, rose in fiscal 2021 because we gave priority to securing components and materials. Since a dramatic improvement in the procurement environment is unlikely, in fiscal 2022 we will continue placing emphasis on procurement and production rather than improvement of asset efficiency, but our basic stance on achieving the ROE target remains unchanged. In fiscal 2021, overseas sales

Orders



Given current orders and the order environment, we are well within reach of realizing net sales of ¥120.0 billion and operating income of ¥6.0 billion in fiscal 2022.

as a percentage of net sales rose 10.0 percentage points year on year, to 66.0%, and this percentage is expected to continue on this trend. Therefore, as we need to ensure risk tolerance amid rising geopolitical risks, we will focus on maintaining the equity ratio at its current level or improving it to a higher one.

Fiscal 2022 Medium- to Long-Term Outlook and Strategy

In fiscal 2022, we are targeting year-on-year increases of 11.0% in net sales, to ¥120.0 billion; 42.0% in operating income, to ¥6.0 billion; and 1.1 percentage points in the operating margin, to 5.0%. Although foreseeing the effects of various risk factors is difficult, given current orders for lithium-ion battery separator film production lines and other products together with the order environment, achievement of these targets is well within reach. In the first half of fiscal 2022, we faced challenging conditions due to a lockdown in Shanghai, soaring component prices, and logistics disruptions. However, we aim to realize our targets through measures in the second half of the current fiscal year to appropriately manage downside risks, curb cost increases through productivity improvements, and revise product pricing.

As for investment plans, while our strategy of adhering to the Management Reform Plan and allocating capital in an optimally balanced manner to achieve ROE of 8.5% remains unchanged, we will adjust the strategy's details to reflect changes in the environment. The increased pace at which electric vehicles are being introduced is providing a strong tailwind. In particular, we are accumulating a significant volume of orders for lithium-ion battery separator film production lines, which will continue to drive growth in Companywide net sales and profits in fiscal 2023 and beyond. Therefore, we will give first priority to investment aimed at ensuring that we capture the demand for this product. We have already begun raising annual production capacity by advancing measures to double the number of production lines from 24 to 48. As orders are expected for several years to come, we will consider raising production capacity even further.

At the same time, we will continue rigorously advancing reform of overall operational flows aimed at changing mindsets, enhancing productivity, and promoting sales. From a medium- to long-term perspective, other initiatives based on the Management Reform Plan will include the development of mainstay products to succeed lithium-ion battery separator film production lines, investment in research and development aimed at reforming our business model through "SHIBAURA DX," and investment in the personnel who will support SHIBAURA MACHINE going forward.

More Committed Than Ever

To adapt to changes in the business environment, we are taking emergency measures that differ from those set out in the Management Reform Plan, and we are responding flexibly to changes in the order environment. However, our medium- to long-term goal of realizing the New SHIBAURA MACHINE Long-Term Vision 2030 as well as the focus of reforms aimed at realizing the vision remain unchanged. While the unpredictability of the environment is likely to continue, we will implement the initiatives of the Management Reform Plan with an even greater focus and determination, thereby laying the foundations for the next medium-term management plan. In addition, the president and I will redouble our efforts to effectively convey this unwavering commitment to stock markets.

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

Eight Technological Platforms

Developing and Manufacturing an Array of Advanced Industrial Equipment

1
Realizing one-step advanced accuracy
Professional manufacturing, assembly, and measuring technologies

Application Example

Large-Scale Processing Technologies

Technologies for the Manufacture of Large-Scale High-Precision Machines

Around the world, key industries engaged in the manufacture of aircraft, ships, railcars, automobiles, and generators use components that range in size from several meters to several tens of meters. To manufacture these components, machines as large or larger than the components are required. SHIBAURA MACHINE has developed the knowledge to design ultra-large, high-precision machine tools as well as the craftsmanship to realize these designs through the manufacture and measurement of large-scale components and the high-precision assembly and measurement of machines.

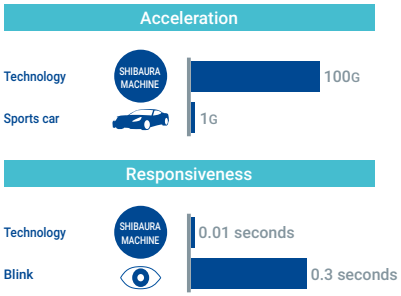
2
Supporting diversified application fields
Designing technologies for processing and molding machinery

Application Example

Die Casting

High-Quality Die Casting through Super High-Speed Injection

Many of the aluminum and magnesium components required for the mass production and weight reduction of automobiles are manufactured by die casting machines. To heighten the quality of these components and to accommodate larger components, super high-speed injection is needed so that molten metal can be quickly poured into molds. SHIBAURA MACHINE's die casting machines boast outstanding high-speed injection and responsiveness. Acceleration, which determines the speed of these machines, reaches 100G, or 100 times the 1G acceleration of a sports car, while responsiveness is 0.01 at a second, or one-thirtieth of the 0.3 second blink time of humans.



3
Integrative
Customizing technology

Application Example

Additive Manufacturing Equipment

Realization of New Manufacturing and Integration with All Kinds of Product Technologies

Mass-produced components are generally manufactured by molding processes that use metal molds, such as plastic molding and die casting. While these manufacturing methods offer excellent productivity for mass production applications, they are not suitable for small-lot production of a large variety of products or for prototyping, due to the time and cost required to fabricate molds. Additive manufacturing equipment is attracting attention as a new manufacturing method that solves this problem.
This equipment forms three-dimensional objects by layering materials in sequence and then using chemical reactions such as melting and sintering. Our product lineup includes large metal additive manufacturing machines, which we have created by combining technologies for manufacturing large high-precision machines, laser and thermal technologies, and our expertise in materials. Based on our metal additive manufacturing equipment, we are offering new manufacturing methods that realize mass customization—which cannot be achieved with traditional manufacturing methods—and that can also form complex three-dimensional structures to create new functionality.

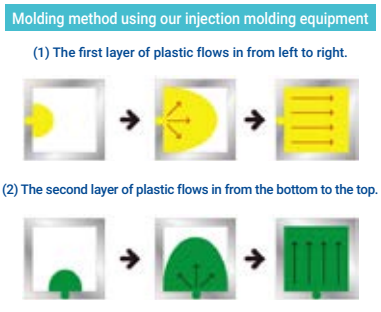
4
Maximizing machine performance
Material technology

Application Example

Composite Material Molding Technologies

Molding Made Possible by Our Expertise in Materials

Composite materials and fiber-reinforced plastics used in aircraft, automobiles, and other vehicles, as well as in robots and drones, can warp or develop weaknesses when molded in the manner of ordinary plastics. We have developed molding methods that eliminate the warping of molded products and enable the stabilization or enhancement of their strength by molding multiple layers of materials from different directions.



CORE TECHNOLOGIES

Eight Technological Platforms

1. Realizing one-step advanced accuracy — Professional manufacturing, assembly, and measuring technologies
2. Supporting diversified application fields — Designing technologies for processing and molding machinery
3. Integrative — Customizing technology
4. Maximizing machine performance — Material technology
5. Optimized for each machine group — Control, mechatronics, and IoT technology
6. Supporting high precision — Slide and rotation
7. Based on understanding of target material — Molding technology originated from mold
8. Using heat, light, and vacuum — Nano-processing technology

5

Optimized for each machine group

Control, mechatronics, and IoT technology

Application Example

Collaborative Robots

Control Technologies That Coexist and Coordinate with People

In developed countries, working-age populations are declining due to the aging of populations. Consequently, demand is increasing for robots that enable the automation of production and allow people to engage in more creative activities. Meanwhile, industries are increasing mass customization and the manufacture of large varieties of products. As a result, there are still numerous tasks that require human skills.

SHIBAURA MACHINE's offerings include collaborative robots, which coexist and coordinate with people. Given the intelligence to understand people and their surroundings, these robots control force and movement speed so as not to harm people. For this reason, our robots can work in the same environments as people, alongside people, and in partnership with people.

6

Supporting high precision

Slide and rotation

Application Example

High-Precision Positioning

Nanometer-Level Ultra-High-Precision Control

High-precision lenses of many different shapes are used in increasingly sophisticated and high-resolution smartphone cameras as well as in the sensors and headlights that are helping make automobiles safer and more intelligent. The manufacture of these high-precision lenses requires high-precision machine tools. We provide high-precision machine tools that boast world-leading levels of precision P.34–35. Incorporating control and manufacturing technologies for moving objects on a nanometer level, these machines are capable of controlling objects and moving them 0.1 nanometer (one-10 billionth of a meter). This is so precise that, for example, movement by a single atom is possible.

The precision to control objects and move them 0.1 nanometer

Precision so advanced that movement by the space of one atom is possible

7

Based on understanding of target material

Molding technology originated from mold

Application Example

Extrusion Technologies

Forming Thin, Flat Films

Thin, flat films are used in everything around us, including smartphones, LCD televisions, solar panels, lithium-ion batteries, medical and household products, and food containers. Our film forming machines produce thin, flat films that have consistent quality.

These machines can realize ultra-thin films with thicknesses of less than five micrometers (0.005 mm), which is less than one-sixteenth the thickness of photocopy paper, or less than one-sixth the diameter of cedar pollen. Also, the manufactured films are extremely flat, with edge-to-edge variances of less than 0.1 mm in films with widths of 2,000 mm.

Flatness

Extreme flatness due to uniform thickness across given widths

Thickness	Less than five micrometers
Flatness	Variance of less than 0.1 mm for a 2,000 mm width

8

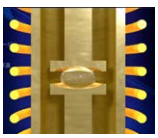
Using heat, light, and vacuum

Nano-processing technology

Application Example

Glass Molding Technologies

High-Precision Glass Molding through Heat and Vacuum Control



High-performance glass lenses are used in mirrorless single-lens reflex cameras, which are becoming increasingly advanced and of a higher resolution. In the manufacture of high-performance glass lenses that control light as designed, die machining and glass lens molding are required. We offer high-precision machine tools with levels of accuracy that are unsurpassed worldwide as well as high-precision optical glass molding press machines that achieve excellent productivity. Glass molding is made possible by heat and vacuum control technologies and technologies that control high-precision machines. By creating vacuums and optimally controlling temperatures, our machines enable the mass production of high-quality, high-precision glass lenses.

In addition, our high-precision machine tools are used to machine the dies used when molding lenses.

High-Precision Machine Tools

What Are High-Precision Technologies?

The development of an information-driven society is making day-to-day life faster paced as well as more fulfilling and convenient. As portals to information, digital devices such as PCs and smartphones have become ubiquitous, formed a huge markets, and become indispensable both for industry and daily life.

Further, digital devices use such precision optical components as aspheric lenses, which remove distortion when cameras are used, and light guide plates, which illuminate entire light-emitting surfaces. Moreover, these precision components are key components that determine the performance and popularity of the products into which they are built. The precision needed to manufacture the components can only be achieved by using high-precision technologies capable of realizing nanometer-level manufacturing and control. As well as manufacturing precision components themselves, high-precision technologies are used to manufacture the molds used in the production of precision components. Thus, high-precision machine tools play an essential role in supporting the development of an information-driven society because they enable the creation of precision components that that meet exacting requirements in terms of compactness, lightness, multifunctionality, precision, density, mass producibility, and affordability.

Case 1

High-Precision Technology-Enabled Achievements

Smartphone Lenses

Since manufacturing our inaugural high-precision aspheric surface grinders for machining lenses in 1992, we have continued developing machines that meet the precision specifications of our customers. Manufacturers' efforts to develop cameras with increasingly advanced performance coupled with the penetration of smartphones led to the need for further improvements in the quality and mass producibility of aspherical lenses—core components that determine camera performance. Ultra-precise nanometer-level machining is required to manufacture the molds used for the mass production of high-quality lenses. Therefore, in addition to increasing the precision of high-precision machine tools even further, we have established software and incorporated measuring instruments and other peripheral technologies to achieve smoothly machined surfaces. In this way, we are contributing to the realization of higher-performance cameras and smartphones.

In addition to demand for smartphones, since 2010 demand for vehicle-mounted cameras has been growing, creating still greater demand for lenses. To meet this demand and benefit society, we have further developed our high-precision machine tools, manufacturing and delivering more than 1,000 such machines to date.

Lens molds

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

Case 2

High-Precision Technology-Enabled Achievements

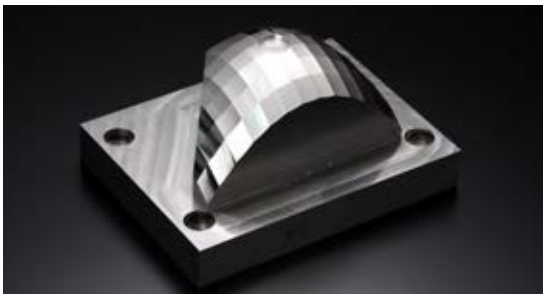
Automotive LED Headlight Molds

Another field where we can apply high-precision technologies is the machining of automotive optical components, such as headlight lenses and reflectors. In recent years, LEDs have been incorporated into automotive headlights and other lighting devices. However, LEDs are highly directional, meaning that they strongly emit light in one direction. Needed for driving safety, the emission of light in all directions calls for special lenses and reflectors that are machined with high levels of precision, have complex shapes, and are larger.

One challenging aspect of automotive LED headlight molds, which must have highly precise and complex shapes, is that machining them takes time. To satisfy automaker requirements, we have developed high-precision technologies that realize even higher levels of precision as well as the machining of complex shapes. Moreover, these technologies improve production efficiency by eliminating certain component manufacturing processes.

By shortening the lead time needed to machine molds and realizing advanced light distribution control, we are helping introduce automotive LED headlights and contributing to driving safety.

Our high-precision machining center (UVM-700E(5AD))



An automotive LED headlight mold

Potential for Addressing Future Social Issues

Upgraded optical technologies are being incorporated into smart devices, which have further spread since becoming a focus interest around the time of the COVID-19 pandemic. As well as being used to enhance automotive accident prevention and autonomous driving capabilities, advanced optical technologies are used in combination with augmented reality and virtual reality technologies and used for advanced medical applications. As conventional optical technologies become less able to realize the array of more-sophisticated optical functionality required in the future, the presence and importance of machined components and molds is likely to increase. Against this backdrop, while working in tandem with customers, we can help address future social issues by catering to market demand through the proposal of processes that include high-precision technologies and peripheral technologies that we have developed to date.

Initiatives to Detect Social Issues

In 1977, we began focusing on high-precision machining with the aim of differentiating and adding value by enhancing the precision of machine tools. The 1990s were a phase in which we explored technologies related to high-precision aspheric surface grinding. Based on our development experience, we realized that dedicating ourselves to incorporating customers' specifications and feedback would lead to the development of the machines required by society. While adding improvements, we gradually built up a track record of delivered products. Further, the research conducted by industry–academia–government partnerships in Japan and overseas greatly contributed to our subsequent development of optical components.

High-precision machine tools help create smartphones, advanced safety devices, and the vehicle-mounted cameras used in autonomous driving, all of which would have been unimaginable 50 years ago. We believe that these achievements are the result of our efforts to detect customer issues and then use our technologies to address them.

Going forward, SHIBAURA MACHINE will continue detecting and addressing social issues by deepening relationships with customers, participating in industry–academia–government partnerships, and developing unique, high-performance technologies and products.

Social Issues Addressed by SHIBAURA MACHINE

Improving Power Generation Efficiency by Machining Generator Components with Machine Tools

Machines Utilized Ultra-large machine tools and multi-axis double column type machining centers

SHIBAURA MACHINE's ultra-large machine tools and multi-axis double column type machining centers enable the machining of components for the large turbines, wind turbine hubs, and speed-increasing gears that are required for power generation. In realizing these machine tools and machining centers, we utilize our design capabilities for ultra-large, high-precision machine tools; technologies for component manufacturing, assembly, and measurement; and machining expertise. Our machines improve power generation efficiency through the machining of components that heighten the performance of turbines used in all types of power generation, including wind, hydro, thermal, nuclear, geothermal, hydrogen, ammonia, synthetic fuel, and biomass generation. Consequently, we help reduce CO_2 emissions during energy production, thereby contributing to the prevention of climate change. In response to the energy security issues that have arisen in recent years, we will accelerate initiatives focused on contributing to small-scale nuclear, hydrogen, and ammonia power generation.

What kind of Technology (+ Machine) makes

- Large-scale machining technologies

Ultra-large machine tools

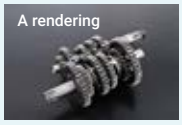
Double column type machining centers

What kind of Product (+ Component)

- Wind turbine hubs and speed-increasing gears

A wind turbine hub

A speed-increasing gear



To Solve which social issue

- Contributing to a decarbonized society by heightening the efficiency of energy creation

Helping Reduce Automobile Weight

Machines Utilized Injection molding machines and die casting machines

By using a molding method that generates air bubbles in plastic molded products, our injection molding machines reduce the weight and volume of materials used for such automotive components as door trims. Similarly, structural design technologies, which are based on our expertise in materials, and the super high-speed injection of our die casting machines enable the casting of subframes and other aluminum and magnesium automotive components that are lighter and require less material. By reducing the weight of automotive interior and exterior components and structural components, we are lowering the CO_2 emissions generated when vehicles are driven, helping prevent global warming.

What kind of Technology (+ Machine) makes

- Foam molding technologies

Injection molding machines

- Structural design technologies and super high-speed injection

Die casting machines

What kind of Product (+ Component)

- Door trims and other automotive interior components and subframes

Automotive interior components

Subframes

To Solve which social issue

- Lowering the weight of automobiles to reduce their CO_2 emissions when driven

Contributing to Decarbonization by Providing Lithium-Ion Battery Separator Film Production Lines

Machines Utilized Extrusion machines

Through our involvement in the facilitation of battery separator film production since the 1980s, we have accumulated mechanisms and technologies for realizing film that is wider and more uniform in thickness as well as molding expertise grounded in scientific knowledge. We have applied these capabilities to enable the mass production of lead storage, alkaline, manganese, and nickel-hydrogen batteries. Having capitalized on this experience and evolved our technologies even further, we are currently providing solutions that allow customers to produce large volumes of extremely thin separator films for lithium-ion batteries. By enabling the practical realization of smartphones, the electrification of daily commodities, the introduction of electric vehicles, and the renewable energy storage that enhances electricity supply stability, we are helping to enrich day-to-day life and reduce CO_2 emissions.

What kind of
Technology (+ Machine) makes

- Technologies that fully integrate extrusion machines and printing presses

Lithium-ion battery separator film production lines

What kind of
Product (+ Component)

- Lithium-ion battery separator film

separator film

To
Solves
which social issue

- Contributing to the spread of electric vehicles and smart grids by enabling the mass production of lithium-ion batteries

Advancing New Workstyles Based on Collaborative Robots

Machines Utilized Industrial robots

The combination of mechanical structures, control technologies, and AI that operate all kinds of industrial machinery as desired will enable the realization of intelligent collaborative robots able to work safely with people. Thus, the realization of new manufacturing through cooperative robots will advance the introduction of new ways of working. For example, these robots will augment the labor force in societies with declining working-age populations, allow the reassignment of personnel to more-creative work, and realize ways of working and living that align with the Sustainable Development Goals.

What kind of
Technology (+ Machine) makes

- Control, mechatronics, and IoT technologies

Collaborative robots

To
Solves
which social issue

- Advancing new workstyles by realizing a society in which humans and robots coexist

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.

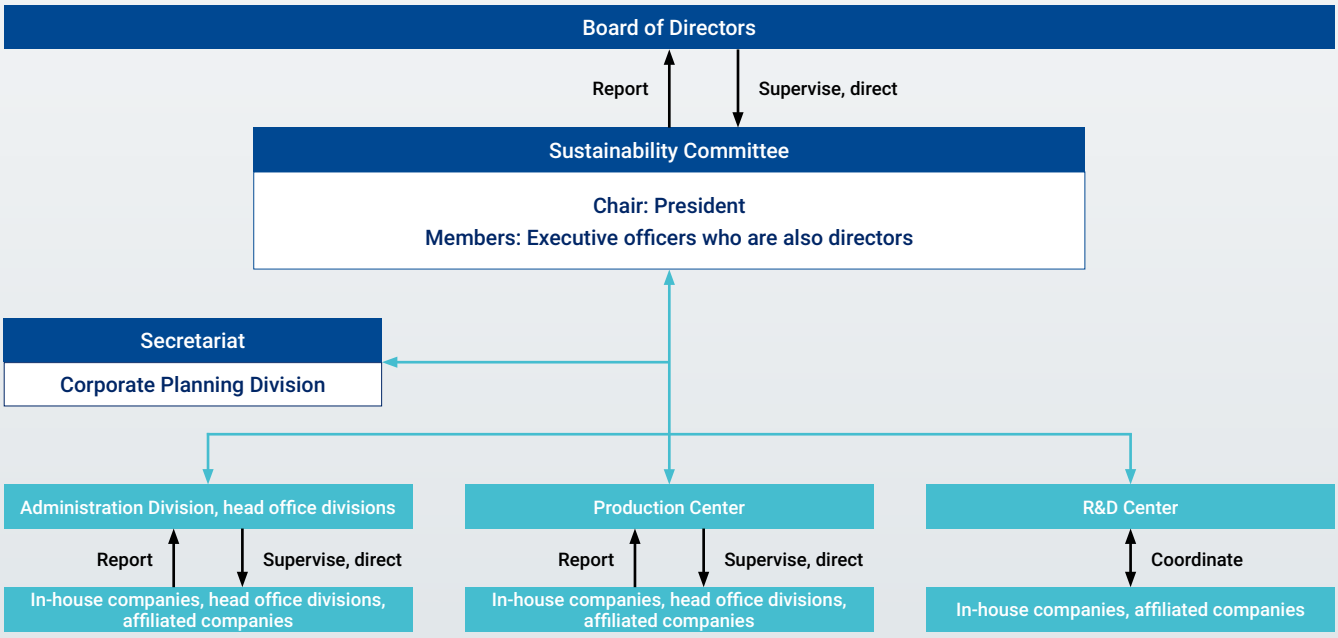
To leave a rich global environment for future generations and contribute to the sustainable development of society, we will make sustainability considerations the drivers of business management and continue to take into account the viewpoints of all our stakeholders around the world, including customers, shareholders, and investors, suppliers, and business partners, employees, and local communities.

Fundamental Policy of Sustainability

Pursuant to our corporate principles, we are committed to realizing a sustainable society and increasing corporate value by solving the issues of customers throughout the world using our technological strength, and by contributing to the development of key industries.

- **We address global social issues with outstanding technologies our company possesses to solve the issues and at the same time increase corporate value.**
- **We strengthen our supply chain, taking into account the environment and human rights, which contributes to sustainable use of resources.**
- **We realize fair and highly transparent business management.**

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.

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.

Themes of Sustainability Management Initiatives

	Item	Themes	Initiatives for Major Action Plans in FY2021
S	Customers	● Engineering ● Quality and safety ● Services	Completed introduction of the *machiNet* platform Issued *SHIBAURA MACHINE Engineering Review* (vol. 28), featuring Sustainable Development Goals initiatives, in December
S	Suppliers and business partners	● Procurement from business partners who are promoting environmental preservation activities ● Compliance ● Prevention of transactions with antisocial forces	Continued three “milk run” routes covering 31 suppliers in total Promoted electronic data interchange system registration (33 companies newly registered) When concluding contracts, concluded memoranda of understanding on the prevention of transactions with antisocial forces (85 companies)
S	Shareholders and investors	● Enhancing investor relations and stakeholder relations activities ● Having more dialogues with institutional investors	Conducted dialogues with securities analysts and institutional investors (194 times) Increased and enhanced English-language investor relations materials Issued *Integrated Report 2021*
S	Employees	● Human resource development ● Diversity ● Safety and health	Fostered personnel who can think and act independently Conducted follow-up training for junior employees (in their second, third, and fifth years with the Company) three months after training to entrench the benefits of training Utilized telecommuting system and remote working Encouraged employees to take childcare and nursing care leave Promoted mental and physical health by developing our occupational safety and health management system (OSHMS), conducting various types of health and safety related-education, and advancing health and safety initiatives
S	Local communities	● Contributions to local communities ● Support for technical education ● Coexistence with local communities	Conducted manufacturing lectures (15 times) Conducted various educational activities such as plant tours Implemented beautification activities around plants Participated in the environmental activities of external organizations (17 groups)
E	The environment	● Strengthening the environmental management system ● Reducing environmental load ● Global warming prevention ● Pollution control	Reduced environmental impact Implemented initiatives addressing the environment-related Sustainable Development Goals Moved forward with the 2nd Environmental Action Plan (2021–2025) Promoted the introduction of eco-cars to the Company-owned fleet (44.7%) Conducted education to promote eco-driving
G	Governance	● Further strengthening of the Group’s governance ● Rigorous management of risk and compliance	Implemented an evaluation on the effectiveness of the Board of Directors Took measures to instill the SHIBAURA MACHINE Group Code of Conduct Established an external contact point for the in-house whistleblowing system Conducted various training programs for all employees

Human Resource Strategy

With passing on skills and technologies to the next generation, acquiring new skills and technologies, and fostering globally competent personnel as its main aims, the SHIBAURA MACHINE Group is developing and acquiring personnel who will underpin the Group's advancement.

Basic Policy on Human Resource Strategy

Under the Management Reform Plan, a medium-term management plan ending in fiscal 2023, we have reorganized by introducing an in-house company system and establishing an R&D Center and a Production Center. We are advancing such initiatives with our sights set on *becoming a corporate group which responds to megatrends in global manufacturing industry with innovative technology*, which is the goal of Long-Term Vision 2030. To respond to an ever-changing external environment, we are placing particular emphasis on strengthening human resources by seeking personnel who have insight into and expertise in new aspects of R&D, digital transformation strategy, production technologies, and sales as well as in such corporate areas as planning, human resources, and finance. At the same time, we are reforming workstyles and increasing diversity with a view to achieving sustained enhancement of corporate value by retaining personnel, improving productivity, and encouraging innovation.

In addition, as a corporate group with bases worldwide, we have established a global policy on human resources. While advancing global strategies through the promotion of a common Companywide human resource strategy, we operate localized regional human resource systems that are tailored to suit the institutions and business practices of the countries and regions where we have bases.

Global Human Resource Policy

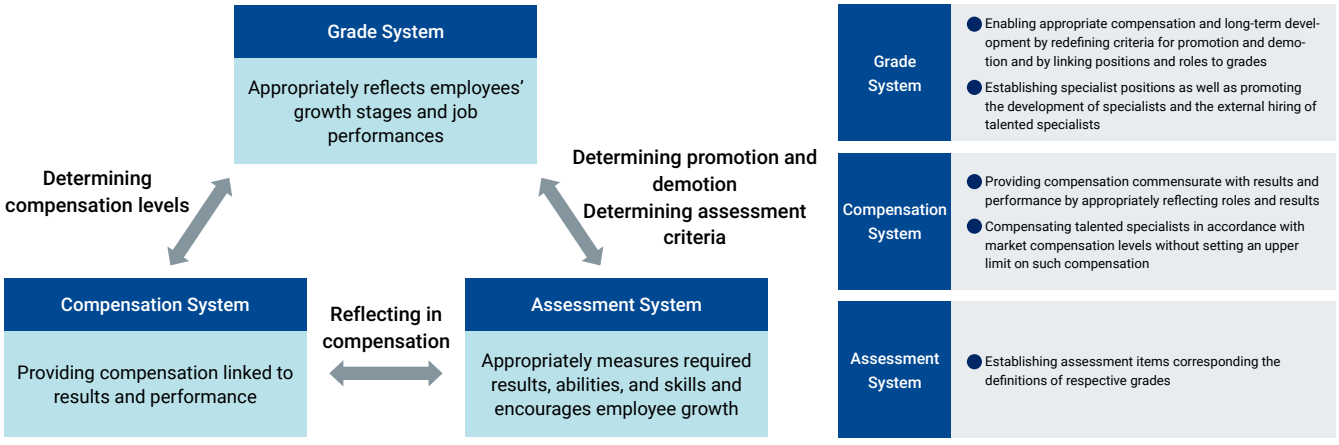
Our human resource systems reflect the history, culture, laws, and regulations of each country and region, and the differences between these systems must be properly understood and recognized.

The SHIBAURA MACHINE Group shall establish human resource systems that appropriately reflect the circumstances of each country and region based on the following fundamental principles.

1. The diverse values of individuals shall be recognized, and individuality and privacy shall be respected.
2. Each person shall be assessed and treated fairly and impartially. Discriminatory language related to race, religion, gender, nationality, mental or physical disability, age, or sexual orientation shall not be permitted. Acts of violence and sexual harassment shall not be permitted.
3. Efforts shall be made to create safe, healthy, and comfortable work environments.
4. The design and administration of respective systems shall be conducted in a manner that is satisfactory to employees.

Human Resource System

Aiming to realize Long-Term Vision 2030, in April 2021 we introduced a human resource system that enables diversified employee compensation and career development as well as the utilization of diverse expert personnel.

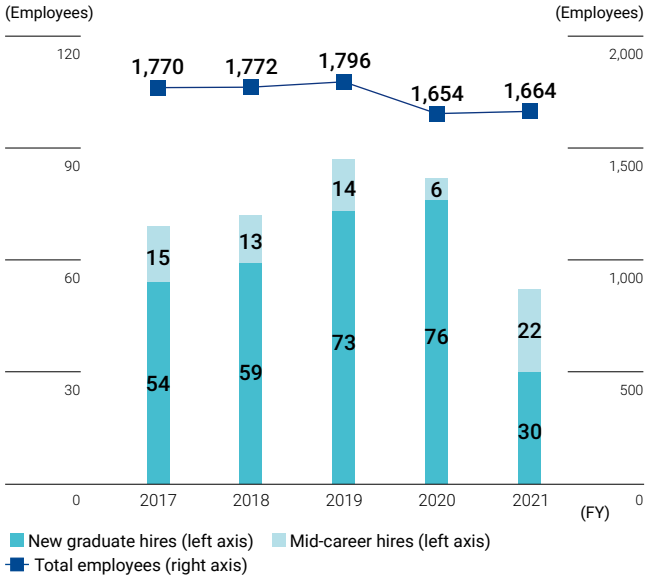


Hiring

We hire personnel based on two main approaches: the conventional mass hiring of new graduates (the continuation of membership-type employment) and the mid-career hiring of personnel with the skills needed to realize our management and business strategies. Our mass hiring of new graduates is people-centered. We focus on selecting students who exhibit leadership and an overseas orientation, regardless of their gender or nationality. We conduct training and job rotation with the expectation that, after being with SHIBAURA MACHINE for five or ten years, these employees will lead the Company forward.

Meanwhile, our mid-career hiring mainly entails job based recruitment. To adapt to an ever-changing external environment, we have set out a policy of hiring specialists not only in our mainstay field of mechanical engineering but also in physics, chemistry, information engineering, and a wide range of other academic fields. Moreover, our hiring under this policy is focused on new areas related to IT and energy. For highly skilled professionals, we have established a flexible salary system that is distinct from the salary system for career-track employees.

Number of New Hires and Employees (Non-Consolidated)



Stepped-Up Investment in Human Resources under the Management Reform Plan

Strengthening of core technologies	Acquisition of control software engineers
Acquisition of new technologies	Acquisition of IT and IoT personnel to promote the transition to smart factories
Strengthening of operating resources	Increase in overseas sales personnel
Strengthening of recruitment	Advancement of a recruitment plan reflecting the priorities of highly-skilled professionals

Human Resource Development

Our basic policy is to both address future social issues and enhance corporate value by fostering personnel who can think and act independently and take the initiative to develop their own careers.

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.

Reskilling

As workstyles diversify and technologies progress, industry is undergoing fundamental structural changes. To ensure that our workforce has the new knowledge and skill sets necessitated by these changes, we have begun reskilling employees.

Diversity and Inclusion Initiatives

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

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.

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.

Childcare and Family Care Support Programs and Their Uses

In the past five years, all eligible female employees have taken childcare leave, 100% 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.

(Persons)

Fiscal year	2017	2018	2019	2020	2021
Persons who took childcare leave male employees in parentheses (for male employees)	5 (1)	9 (2)	9 (5)	10 (7)	18 (14)
Percentage of those returning from childcare leave	100%	100%	100%	100%	100%
Persons who took family care leave	0	0	1	0	0
Persons who used the short working hour program (for childcare)	9	10	9	3	6
Persons who used the short working hour program (for family care)	0	0	0	0	0

The data includes domestic affiliates.

Work Environments Conducive to Child-Rearing and Long-Term Employment

In fiscal 2021, the average length of service of employees was 18.9 years (18.8 years for men and 19.7 years for women),* a testament to the long periods of service that characterize the Company. Over the past five fiscal years, there have been no employee resignations attributed to childbirth or child-rearing.

* SHIBAURA MACHINE Co., Ltd., non-consolidated

(Persons)

Fiscal year	2017	2018	2019	2020	2021
Resignees (female employees in parentheses)	32 (2)	43 (7)	30 (6)	19 (1)	54 (8)
Of whom, resignees for reasons of maternity or childcare	0	0	0	0	0

The data includes domestic affiliates.

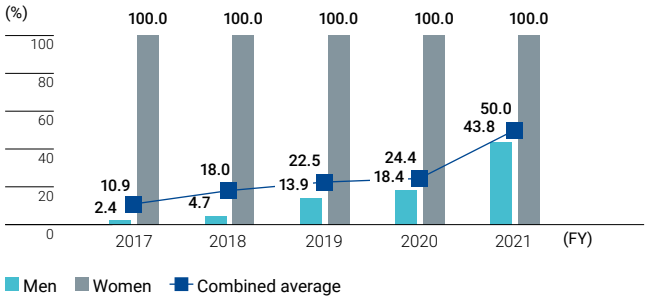
Work–Life Balance

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

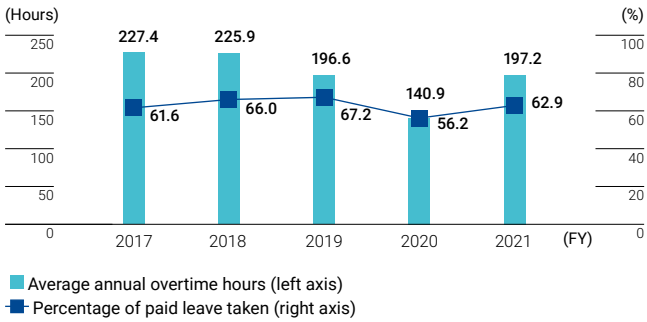
	Activities
Childcare and family care leave system	We offer our employees various forms of support so that they can fulfill their childcare and family responsibilities with peace of mind. Specific forms of support available: Maternity leave, extended leave for childcare, nursing care leave, extended leave for family care, family care leave, and shorter working hours
Promotion of planning and taking annual paid leave	Taking 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, self-enlightment 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).

Percentage of Childcare Leave Taken

Including domestic affiliates.



Average Annual Overtime Hours and Percentage of Paid Leave Taken (Non-Consolidated)



Health and Safety

As health and safety form the foundation of business management, the entire SHIBAURA MACHINE Group will make a concerted effort to step up health and safety initiatives with the aim of establishing workplaces where all employees can work with peace of mind.

Development of Health and Safety Activities

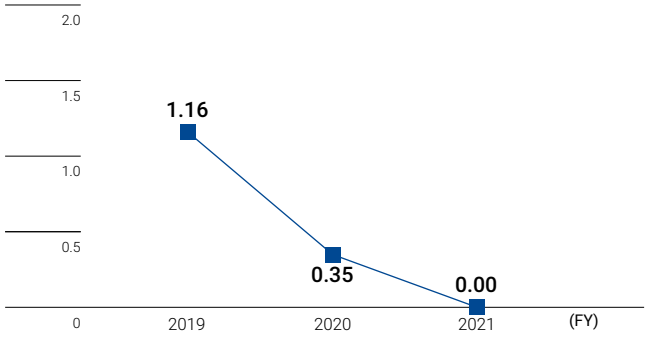
The Group proactively conducts health and safety activities with the aims of creating working environments that are safe and comfortable and realizing zero industrial accidents.

Promoting Occupational Safety and Health Management Systems

Recognizing that health and safety 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 have acquired OSHMS* certification for our plants. The OSHMS techniques are also applied at all Group companies to improve their health and safety management.

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

Lost Time Injury Frequency Rate (Non-Consolidated)



Environment

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

- 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 Action Plan

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 2nd Environmental Action Plan in fiscal 2021.

Percentages in parenthesis are the decreases compared with the fiscal 2013 reference year.

Initiatives (Indicators)		FY2021 Achievements	FY2022 Targets	Long-Term Objectives to Be Achieved by FY2030
Offering environmentally friendly products	Environmental contribution through environmentally friendly products (contribution to CO_2 reduction) (t)	21,108 (64%)	27,350 (112%)	34,410 (167%)
Global warming prevention	Reduction in CO_2 emissions intensity (t/hundred million yen)	20.5 (–26%)	19.3 (–30%)	13.8 (–50%)
Making productive use of resources	Reduction in waste emissions (t/hundred million yen)	2.60 (–24%)	2.44 (–29%)	1.20 (–65%)
Chemical substances management	Reduction in chemical emissions (kg/hundred million yen)	50.0 (–35%)	44.0 (–43%)	40.0 (–48%)
Green management	Biodiversity conservation (ecosystem network)	–	Participation in Mount Fuji environmental conservation activities	
	Renewable energy (utilization of solar power and untapped energy)	Generated 0.1% of electricity consumed	Generated 0.1% of electricity consumed	Generate more than 20.0% of electricity consumed
	Scope 3 initiatives (analysis of upstream and downstream impacts)	Analyzed downstream impacts	Analyzed downstream impacts	Strengthen environmental burden reduction activities
	Consideration of global Environmental Management System (EMS) (strengthening of collaboration with overseas subsidiaries)	Monthly reporting	Monthly reporting	Investigate external infrastructure, conduct in-house investigations of overseas environments, and develop environmental leaders at overseas plants
Overseas	Strengthening management and reducing environmental load (management upgrading)	Analyzed environmental impacts	Analyzed environmental impacts	Strengthen management and promote reduction of environmental burden

Initiatives Aimed at Achieving the Environmental Action Plan

Prevention of Climate Change

In fiscal 2021, CO_2 emissions intensity was 205 tons of CO_2 emissions per ¥1.0 billion, a 26% reduction compared with that of fiscal 2013.

Fiscal 2021 initiatives to reduce Scope 1 and Scope 2 CO_2 emissions in fiscal 2021 included the replacement of the Numazu Plant's ceiling lights with LEDs and other equipment upgrades.

Aiming to reach our long-term fiscal 2030 target, we will lower CO_2 emissions by utilizing solar power generation and other renewable energy sources. Specifically, we will install solar panels in accordance with the reorganization of plants set out in the Management Reform Plan.

Effective Utilization of Resources

In fiscal 2021, waste emissions intensity was 26.0 tons of waste emissions per ¥1.0 billion, a 24% reduction compared with that of fiscal 2013.

Fiscal 2021 initiatives to reduce waste emissions included minimizing the use of casting sand to reduce emissions of slag and other industrial waste, introducing simplified wooden packaging boxes, and promoting the digital preparation and storage of documents.

Aiming to reach our long-term fiscal 2030 target, we will lower waste emissions through a range of measures. For example, at the product design and development stage, we will take into consideration waste emission volumes. At the manufacturing stage, we will reduce packaging materials through the introduction of common components and through the minimization of component numbers, and we will introduce returnable boxes for the convenience of components.

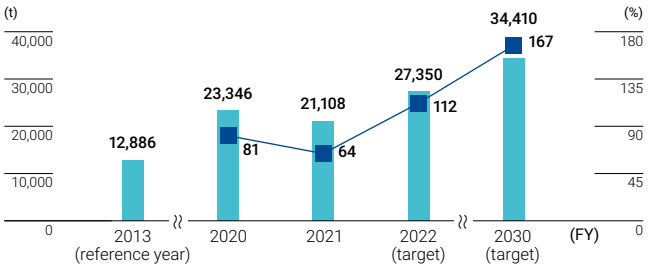
Management of Chemicals

In fiscal 2021, chemical emissions intensity was 500.0 kilograms of chemical emissions per ¥1.0 billion, a 35% reduction compared with fiscal 2013.

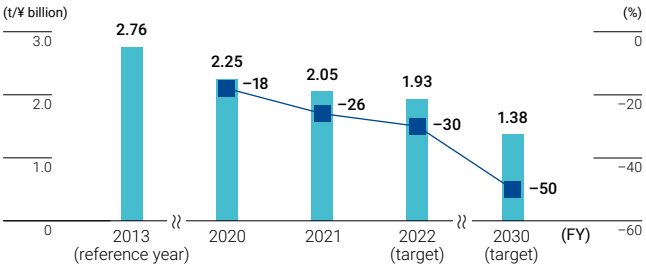
Fiscal 2021 initiatives to reduce chemical emissions included the use of highly efficient paint guns and environment-friendly paints as well as the implementation of a plan to improve the efficiency of painting methods.

Aiming to reach our long-term fiscal 2030 target, we will lower chemical emissions through a range of measures. For example, at the product a design stage, we will endeavor to eliminate the use of paint. At the manufacturing stage, we will adopt the latest environment-friendly paints, improve the efficiency of painting processes through the utilization of AI robots, and promote the utilization of optimal volumes of paint.

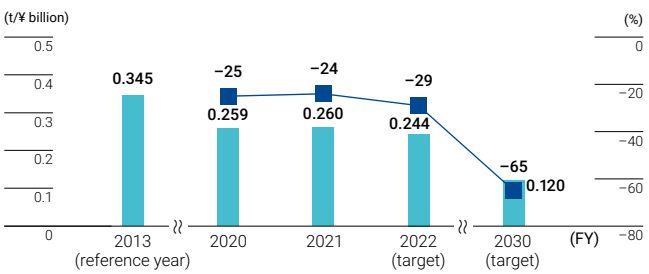
Contribution to CO_2 Reduction through Environment-Friendly Products



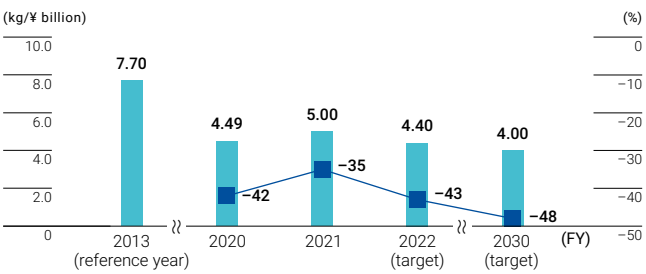
Reduction in CO_2 Emissions Intensity



Reduction in Waste Emissions Intensity



Reduction in Chemical Emissions Intensity



Environmental Considerations in Product Development

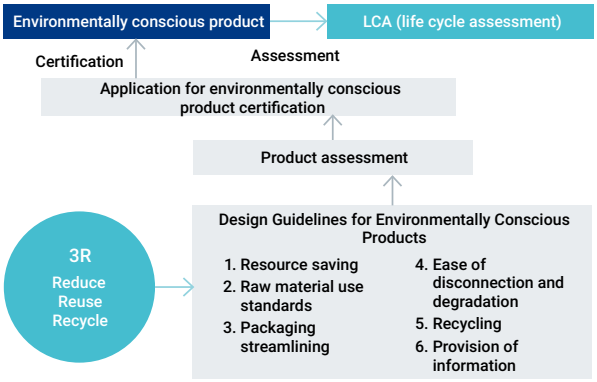
CO_2 emissions at the product use stage account for the majority of CO_2 emissions over the entire life cycles of SHIBAURA MACHINE products. Therefore, improving the energy-saving performance of our products and reducing CO_2 emissions during the product use stage is effective in reducing the environmental impact of our products.

Developing Environmentally Conscious Products and Reduce Potential Impact on the Environment

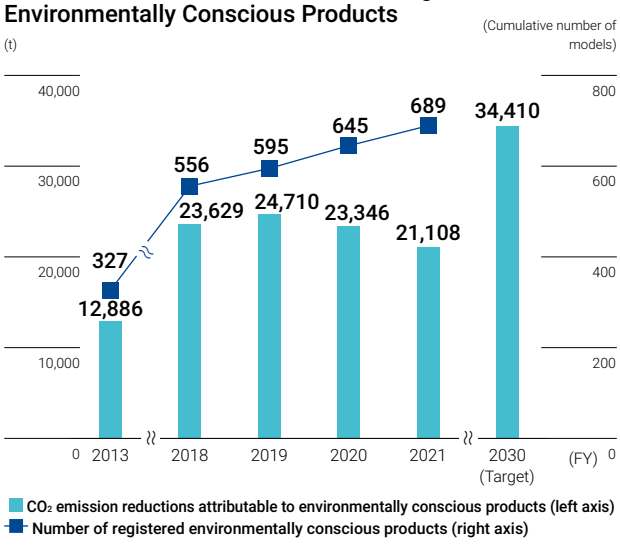
When developing new environmentally conscious products, we perform product assessments to estimate and reduce products' potential impact on the environment. These development activities are conducted pursuant to the Design Guidelines for Environmentally Conscious Products, which incorporate product design guidelines and consideration of the 3Rs (reduce, reuse, and recycle). 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.

Further, all registered environmentally conscious products undergo a life cycle assessment pursuant to SHIBAURA MACHINE Group standards. This assessment encompasses raw materials, manufacture, transportation, use, recycling, and disposal. Moreover, certain of these products are compared with previous models to calculate volumes 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 a better energy-saving performance



CO_2 Emission Reductions Attributable to Environmentally Conscious Products and Number of Registered Environmentally Conscious Products



Fiscal 2021 Initiatives and Long-Term Targets

In fiscal 2021, 44 new models were registered, and CO_2 emission reductions attributable to environmentally conscious products totaled 21,008 tons.

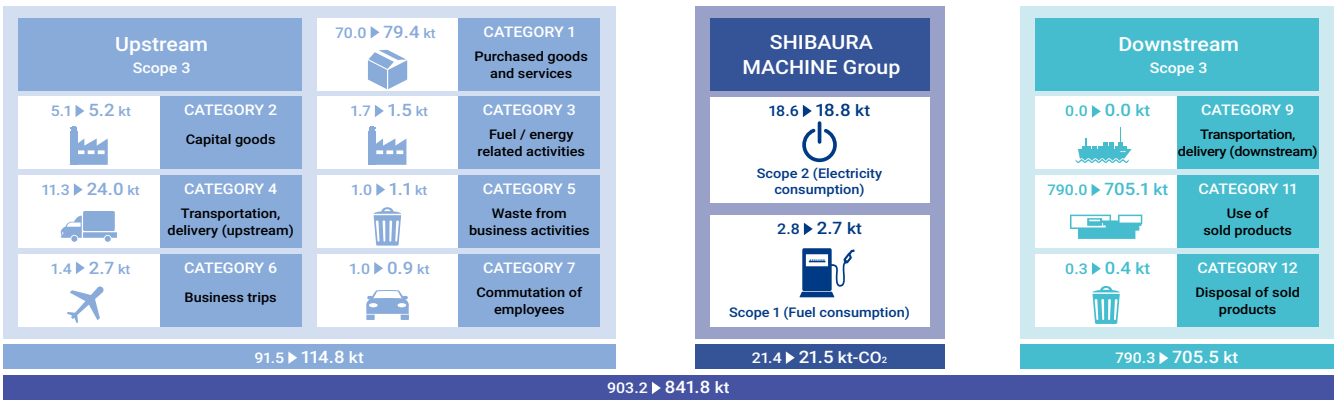
We will advance development aimed at reaching our long-term fiscal 2030 target, which calls for a 34,410 ton reduction in CO_2 emissions through the provision of environmentally conscious products.

Environmental Load from the Entire Supply Chain

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

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

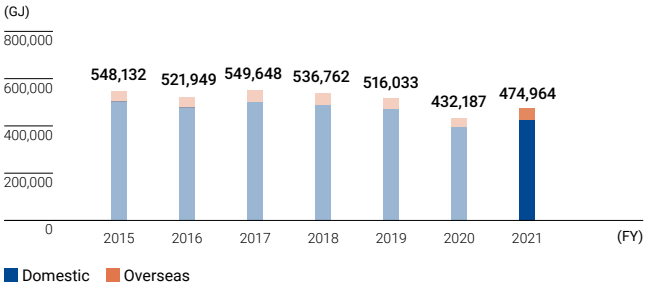
Results for Fiscal 2020 ▶ Results for Fiscal 2021



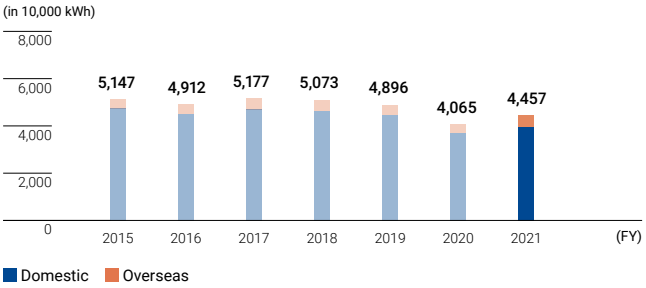
Environmental Data

Input and Output Graphs

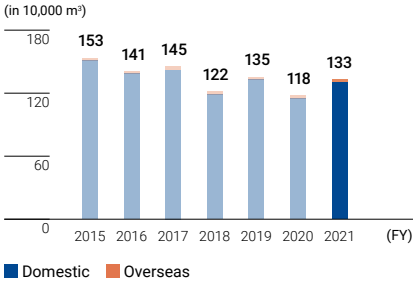
Energy Consumption by Fiscal Year



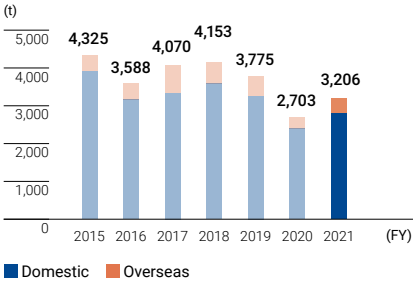
Electricity Consumption by Fiscal Year



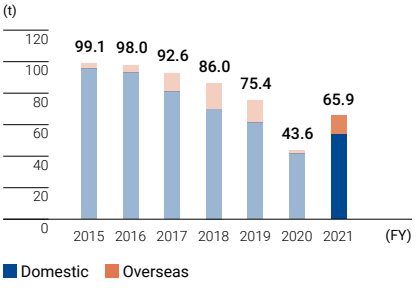
Service Water Consumption by Fiscal Year



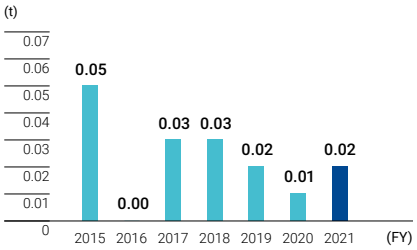
Waste Emissions by Fiscal Year



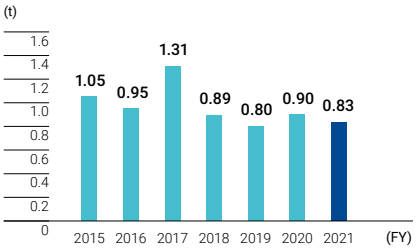
Chemical Emissions by Fiscal Year



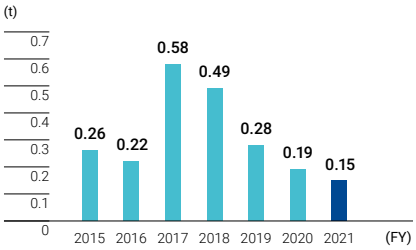
Domestic Soot and Dust Emissions by Fiscal Year



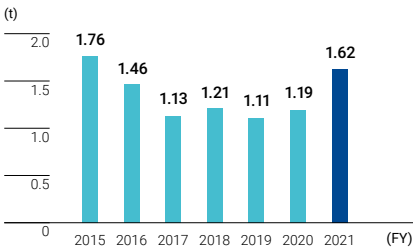
Domestic Nitrogen Oxide Emissions by Fiscal Year



Domestic Sulfur Oxide Emissions by Fiscal Year

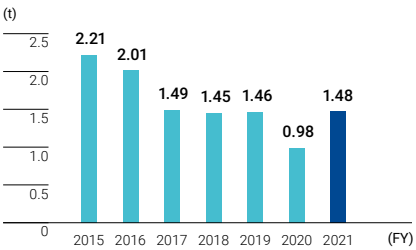


Domestic BOD* Emissions by Fiscal Year



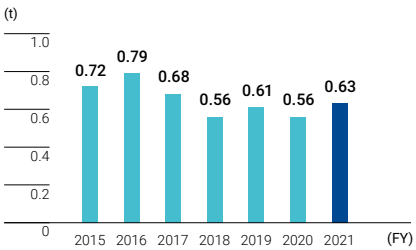
- Biochemical oxygen demand: The volume of oxygen consumed when organic material is decomposed by microorganisms in water

Domestic SS* Emissions by Fiscal Year



- Suspended substance: Particles that have diameters of two millimeters or less and which are floating in water

Domestic N-hex Emissions by Fiscal Year



- n-hex (Normal Hexane Extractable Substance Content) Substances extracted from water with the chemical n-hexane, such as oils and detergents that are difficult to volatilize.

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 officers.

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

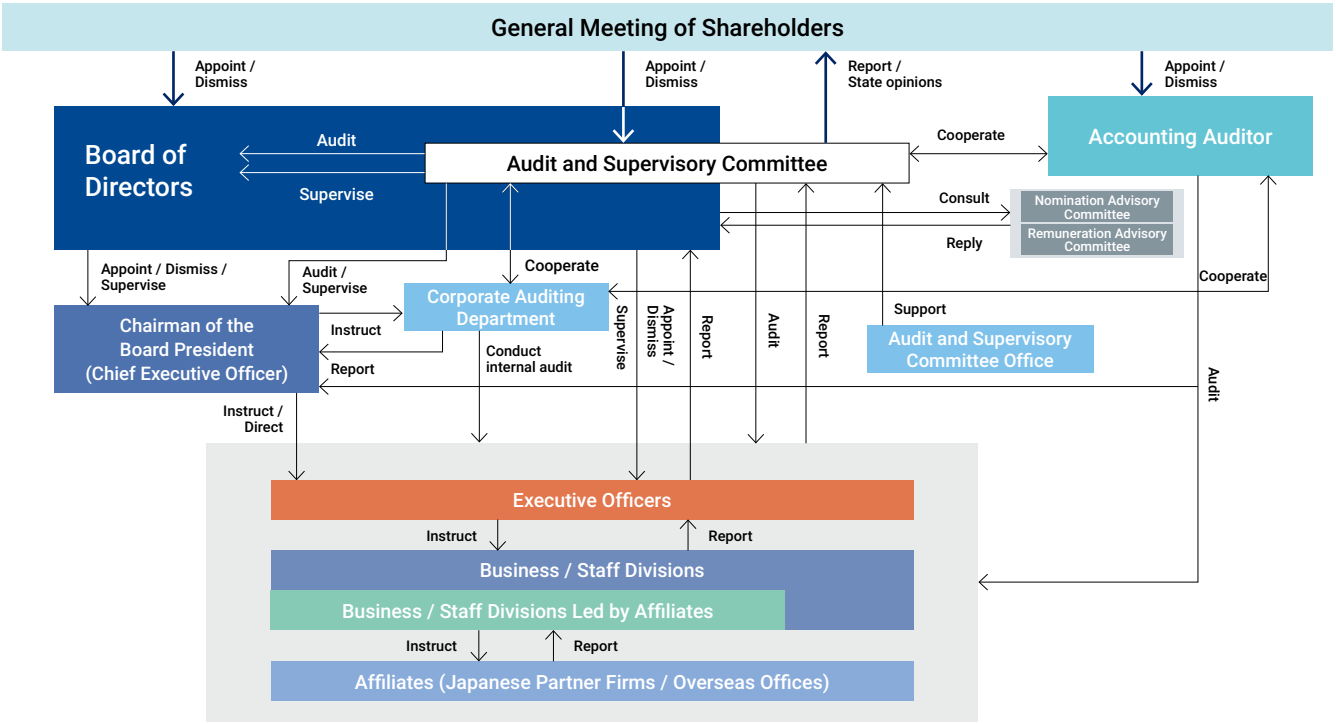
The Internal Auditing Department verifies the legality and appropriateness of business activities, reports audit results to the representative directors, and provides guidance if there are any matters requiring improvement. Further, the Internal Auditing Department comprises 12 members and is under the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



Composition of the Board of Directors

The Company left the Toshiba Group in March 2017. Since then, the Company has continuously strengthened corporate governance through such measures as transitioning to a "company with committees" governance structure, which includes an Audit and Supervisory Committee and increasing the number of outside directors.

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.

Further, with respect to the skills that are particularly important for the achievement of the current medium-term management plan, in addition to conventional abilities in the areas of business management, sales, and technological specialization, the Company emphasizes the appointment of directors who have financial expertise and an ability to communicate effectively with stock markets. Moreover, 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, and the majority of its members are outside officers. 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	Independent	5	16 of 16 (100%)	Kiyoshi Sato's character and expertise are impressive. He was appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by providing recommendations and proposals in light of the extensive experience and expertise he gained while serving as an officer for other companies, including executive positions in businesses overseas.
Seigo Iwasaki	Independent	4	16 of 16 (100%)	Seigo Iwasaki's character and expertise are impressive. He was appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by providing recommendations and proposals in light of the extensive experience and expertise he gained while serving as an officer for other companies.
Hiroshi Inoue	Independent	3	16 of 16 (100%)	Hiroshi Inoue's character and expertise are impressive. He was appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by providing recommendations and proposals in light of the extensive experience and expertise he gained while serving as an officer for other companies.
Kazumine Terawaki	Independent	3	16 of 16 (100%)	Kazumine Terawaki's character and expertise are impressive. He was appointed as an outside director and an independent officer based on the expectation that he will ensure duties are being executed appropriately by providing recommendations and proposals in light of the extensive experience and expertise he gained while serving as an attorney and as an outside officer for other companies.
Chisa Hayakawa	Independent	2	16 of 16 (100%)	Chisa Hayakawa's character and expertise are impressive. She was appointed as an outside director and an independent officer based on the expectation that she will ensure duties are being executed appropriately by providing recommendations and proposals in light of the extensive experience and expertise she 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)	Independent	3	16 of 16 (100%)	Yutaka Usami's character and expertise are impressive. He was appointed as an outside director who is an Audit and Supervisory Committee member and an independent officer because it is anticipated that he will provide a broad range of audit-related opinions that reflect the extensive experience and expertise he gained while serving as a certified public accountant, a certified tax accountant, and an outside officer for other companies.
Akifumi Imamura (Audit and Supervisory Committee Member)	Independent	1	12 of 12 (100%)	Akifumi Imamura's character and expertise are impressive. He was appointed as an outside director who is an Audit and Supervisory Committee member and an independent officer because it is anticipated that he will provide a broad range of audit-related opinions that reflect the extensive experience and expertise he gained while serving as an attorney and as an outside officer for other companies.

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)	○	

Agenda Items

Nomination Advisory Committee

1. Personnel matters related to the Company's directors
2. Personnel matters related to the Company's representative directors and executive directors
3. Plan for training candidates for the position of director
4. Personnel matters related to the Company's executive officers
5. Personnel matters related to the Company's the chief executive officer, the chief operating officer, and the chief financial officer
6. Establishment, revision, or abolition of important rules and regulations related to each of the preceding items
7. Other important personnel matters on which the Board of Directors seeks advice

Remuneration Advisory Committee

1. The Company's system for the compensation of directors
2. Specific amounts of compensation for individual directors of the Company, excluding directors who are Audit and Supervisory Committee members
3. Establishment, revision, or abolition of important rules and regulations related to each of the preceding items
4. Other important director compensation matters on which the Board of Directors seeks advice

Matrix of Directors' Skills

Name	Position	Gender	Areas of Expertise and Experience								
			Corporate management	Internal control / Governance	Legal affairs / Compliance	Finance / Accounting	M&A / Alliances	Investor relations / Stakeholder relations	Manufacturing / Development	Marketing	International experience
Yukio Iimura	Chairman	Male	●	●					●	●	●
Shigetomo Sakamoto	President, Chief Executive Officer, Chief Operating Officer	Male	●	●			●	●	●	●	●
Akiyoshi Kobayashi	Director, Executive Operating Officer	Male	●	●					●		
Hiroaki Ota	Director, Chief Financial Officer, Executive Operating Officer	Male	●	●		●	●	●			●
Kiyoshi Sato	Outside Director	Male	●	●			●			●	●
Seigo Iwasaki	Outside Director	Male	●	●						●	
Hiroshi Inoue	Outside Director	Male	●	●						●	
Kazumine Terawaki	Outside Director	Male		●	●						
Chisa Hayakawa	Outside Director	Female		●		●		●			
Hiroshi Takahashi	Director (Full-Time Audit and Supervisory Committee Member)	Male		●		●					●
Yutaka Usami	Outside Director (Audit and Supervisory Committee Member)	Male		●		●					●
Akifumi Imamura	Outside Director (Audit and Supervisory Committee Member)	Male		●	●						

Note: The content of the above table does not represent all of the knowledge, experience, and abilities possessed by directors.

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. We organize external training specifically designed for newly appointed directors. 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 three companies in fiscal 2021. 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.

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. It also promotes 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 of 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 2021

	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)	191	140	28	–	22	9
(Of Whom, Outside Directors)	(50)	(50)	(–)	(–)	(–)	(5)
Directors (Audit and Supervisory Committee Members)	37	37	–	–	–	4
(Of Whom, Outside Directors)	(19)	(19)	(–)	(–)	(–)	(3)
Total	229	178	28	–	22	13
(Of Whom, Outside Directors)	(69)	(69)	(–)	(–)	(–)	(8)

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.

Effectiveness Evaluation of the Board of Directors

The Company conducts evaluations of the effectiveness of the Board of Directors with the aim of improving how it functions and, ultimately, enhancing corporate value.

In light of recommendations received from external organizations, we conducted an effectiveness evaluation in the manner shown in the chart below.

Results of Effectiveness Evaluation

Questionnaire Implementation

All directors were asked to anonymously complete a questionnaire formulated with the assistance of an external consultant and under the editorial supervision of a law firm with expertise in the field of governance.

Questionnaire focuses
(1) Composition, administration, deliberations, and monitoring functions of the Board of Directors
(2) Dialogue with shareholders
(3) Directors' own initiatives etc.

Third-party evaluation
Based on the responses of all directors, a third-party evaluation was conducted by an external consultant.

Analysis and assessment of results
Based on the third-party evaluation, future improvements were deliberated by the Board of Directors.

Responses to priority issues
Improvements were implemented with reference to the deliberations of the Board of Directors.

In April 2022, 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 2022.

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

Although the evaluation concluded that the Board of Directors had improved with respect to follow-ups on the progress of the management plan and the provision of feedback on dialogue with shareholders and investors, certain opinions stressed the importance of further deepening deliberations on sustainability.

Board Members

(As of June 30, 2022)

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
May 2017 Chairman of Japan Machine Tool Builders' Association(general incorporated association)
May 2021 Senior Advisor of Japan Machine Tool Builders' Association (general incorporated association) (present position)

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
Security and Regulation Control Division General Manager, R&D Center General Manager, and Sagami Plant General Manager
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 (present position), in charge of Administration Division, in charge of System Strategy Division of the Company
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
In charge of Corporate Administration 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 Houlihan Lokey, Inc.)
Mar. 2014 Audit and Supervisory Board Member of Mezzanine Corporation
Aug. 2014 Audit and Supervisory Board Member of GCA FAS Co., Ltd. (currently G-FAS Corporation)
Feb. 2015 CFO and Managing Director of GCA Savvian Corporation (currently Houlihan Lokey, Inc.) Director of GCA Savvian Singapore Private Ltd. (currently Houlihan Lokey Advisers Singapore Private Limited)
Mar. 2015 Director, CFO and Managing Director of GCA Savvian Corporation (currently Houlihan Lokey, Inc.)
Apr. 2017 Managing Director of GCA Corporation (currently Houlihan Lokey, Inc.)
Apr. 2020 Executive Operating Officer of GCA Partners Corporation (currently Houlihan Lokey, Inc.)
June 2020 Director of the Company
Aug. 2020 Director, Chief Financial Officer, Executive Operating Officer, in charge of Corporate Strategic Planning Division (present position)
June 2022 In charge of Corporate Administration Division of the Company (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 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)
Mar. 2022 Outside Director of Milbon Co., Ltd. (present position)
Apr. 2022 Managing Executive Officer and CFO 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)
Oct. 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 industry has been struggling against headwinds stemming from the prolongation of both the COVID-19 pandemic and the Russia–Ukraine situation. Difficulties in procuring components and materials have become an everyday occurrence due to the paralysis of logistics, while lockdowns have entailed restrictions on travel that have significantly impacted machinery installation. Despite this environment, SHIBAURA MACHINE has energetically engaged in business activities, focusing on its mainstay lithium-ion battery separator film production lines for electric vehicles.

I believe that the Company's corporate governance system is solid and managed satisfactorily. The Nomination Advisory Committee appropriately communicates with other in-house bodies and deliberates and reports on the evaluation and appointment of directors and executive officers. Given that an increasing share of the Company's revenues is accounted for by overseas markets, the recruitment and training of executives at overseas subsidiaries is a task we must achieve going forward.

As for the Sustainable Development Goals, in 2021 the Sustainability Committee was launched and began activities. In fiscal 2022, I expect this committee to conduct full-fledged activities based on in-depth discussions. The performance of the Company's manufacturing equipment is highly effective in reducing carbon emissions at customers' production sites, and the Company also plays a role in the production of environment-friendly plastics. With this in mind, I believe that the SHIBAURA MACHINE can benefit the world through further technological development. At the same time, I view the improvement of production lines and supply chains as a task to tackle going forward.

Seigo Iwasaki

Outside Director

SHIBAURA MACHINE's most important management issue is the advancement of the Management Reform Plan, a medium-term management plan aimed at transforming into a highly profitable company. In my estimation, the Company has made steady progress during the first half of this plan's period. The Company has steadily improved its profitability by enhancing production efficiency through the advancement of reorganization, optimized personnel assignment, other painful reforms, and by focusing more than ever on securing profit margins in order-taking activities. The progress of these reforms is reported to each meeting of the Board of Directors and monitored by outside directors.

In addition to the aforementioned reforms being carried out by all three in-house companies, higher demand for lithium-ion battery separator film has led to favorable sales of large extrusion machines—a field in which SHIBAURA MACHINE excels—and is driving the Company toward the achievement of the medium-term management plan's targets.

Meanwhile, the widespread introduction of electric vehicles is forcing automakers to rapidly pursue changes aimed at realizing new batteries and lighter automotive bodies. Also, the global trend toward sustainability is making the development of sustainable technologies inevitable. Accordingly, the Company will concentrate efforts on such emerging fields.

The Remuneration Advisory Committee, which I chair, will consider setting compensation levels that are commensurate with the progress of management reforms as well as increasing the percentage of compensation that is performance linked.

This is my fourth year as an outside director of SHIBAURA MACHINE. During this time, the Company has undergone significant changes. Initially, the Company had an easygoing corporate culture based on the assumption that as long as quality products were produced, favorable results would follow. This culture has been changed by the strong leadership of the chairman and president, who set forth the Management Reform Plan in the form of a medium-term management plan. Now, the focus is very much on increasing profits. A testament to this Company-wide change in mindset is the solicitation of voluntary retirement as part of efforts to reduce fixed costs. Reducing employees is not something that senior executives want to do. In implementing voluntary retirement, I feel that senior executives had numerous discussions with employees, which significantly changed the employees' mindset.

In fiscal 2021, the Company posted favorable business results despite the COVID-19 pandemic. In the current social climate, predicting the future is challenging. Amid a global trend toward decarbonization, what will the Company's next mainstay be? SHIBAURA MACHINE has the technological capabilities to meet the new demand expected to accompany decarbonization. It must work even more closely and proactively with customers' forward-looking initiatives and develop new types of products and services. As the Company's technological capabilities are sufficiently strong enough to earn customer trust, I believe the coming decarbonization era is a positive for SHIBAURA MACHINE.

Hiroshi Inoue

Outside Director

Kazumine Terawaki

Outside Director

Since formulating the Management Reform Plan, SHIBAURA MACHINE has been advancing management reforms one a step at time. Moreover, executive officers provide detailed reports on the progress of these reforms at each meeting of the Board of Directors. Although, of course, the impact of recent dramatic changes in the external environment cannot be denied, the initiatives implemented under the Management Reform Plan are progressing relatively smoothly and yielding favorable results.
I expect the Company to utilize its technological capabilities and expertise even more actively and effectively in helping customers address environmental, social, and governance issues, Therefore, all members of the senior management team are utilizing various opportunities to receive explanations and engage in useful discussions about future initiatives. Solid progress is also being made in relation to human resource strategy. In consultation with labor unions, the Company is gradually establishing an open corporate culture that allows a more diverse range of personnel to play active roles. As an attorney with experience in duties related to human resource policies, immigration control, and security, I also make statements at meetings of the Board of Directors from a variety of perspectives, including compliance, human rights, and economic security.

I believe that stock markets expect SHIBAURA MACHINE to steadily implement the Management Reform Plan launched in 2020 and to enhance corporate value as a regenerated entity. At monthly meetings of the Board of Directors, we monitor the progress of and engage in lively discussions on the plan's initiatives. The COVID-19 pandemic and other factors have changed the external environment in ways that could not have been anticipated when the plan was formulated. Nonetheless, the Company has adapted to changes, advanced structural reforms, and made sure-footed progress with initiatives aimed at realizing the plan. With this in mind, the Company deserves praise.

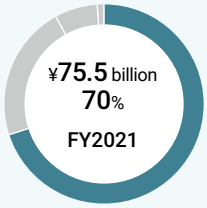
SHIBAURA MACHINE's investor relations activities have seen significant change and improvement over the past year with respect to efforts to further understanding of businesses and strategies. For example, members of the senior management team have become actively involved in investor relations initiatives, and the number of investor relations meetings has risen. Also, the Company has organized factory tours. In particular, the use of virtual reality technologies and other innovations in factory tours has helped to clearly explain what differentiates the Company from competitors and has been well received. I hope that the Company will utilize investor relations activities as a way of encouraging investors to reacknowledge its advantages and continue conducting sound, high-quality dialogues with them over the medium to long term.

Chisa Hayakawa

Outside Director

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 fields.

Main Products

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

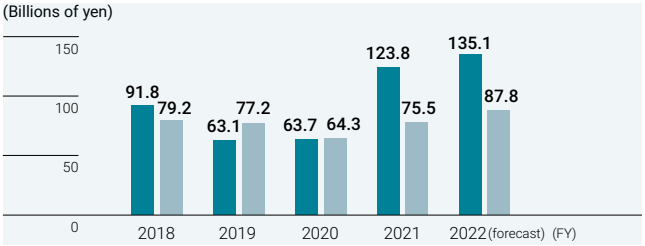
Injection molding machine (EC650SX III)

Die casting machine (DC800R)

Extrusion machine (SFPU-30150W)

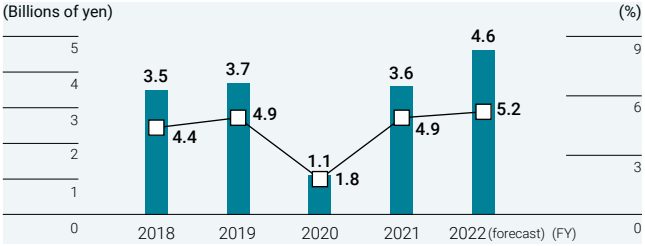
Performance Summary

Amount of Orders Received / Net Sales



Amount of orders received Net sales

Operating Profit / Operating Profit Ratio



Operating profit (left axis) Operating profit ratio (right axis)

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 to many different industries, such as automotive manufacturing, medicine, and information and communications. Going forward, we will utilize digitalization technologies to provide products and services with even higher levels of added value. In conjunction with these efforts, we will offer optimal solutions that help address environmental issues and other social issues.

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 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 production equipment covering all extrusion product processes—from upstream operations through to downstream operations. For plastic products, we offer twin-screw kneading extruders, sheet manufacturing equipment, film manufacturing equipment, coaters, and roll-to-roll equipment. We have been moving forward with the development of leading-edge technologies in relation to lithium-ion battery separator film production lines, an area that is seeing rapid growth in demand. We are also developing advanced technologies for film manufacturing equipment for the optical, food packaging, 5G, and medical Industries, coating, and imprinting. Through such initiatives, we will contribute to the realization of next-generation technologies.

Strengths

- Global supply chain centered on four overseas plants
- Diverse lineup ranging from small to large products
- No. 1 market share among Japanese manufacturers of die casting machines
- Film manufacturing equipment for all production line stages

Weaknesses

- Dispersal of resources due to diverse product lineup
- High degree of reliance on specific markets for die casting machines
- Exchange rate fluctuation risk associated with high percentage of overseas sales

S W O T

Opportunities

- Growing need for new environment-friendly materials
- Acceleration of investment aimed at introducing electric vehicles
- Global initiatives focused on the SDGs

Threats

- Growing trend toward plastic-free products due to marine pollution caused by plastic waste
- Emergence of manufacturers of low-priced products
- Decline in applications for internal combustion engines due to the shift to electric vehicles
- Emergence of new technologies related to rechargeable batteries, including all-solid-state batteries that can replace lithium-ion batteries

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 lithium-ion battery separator film production lines, injection molding machines, and die casting machines—will help the automotive industry advance into the CASE (connected, autonomous, shared, 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 2021 measures

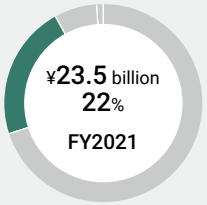
- Injection molding machines: Despite a challenging external environment—which was characterized by difficulties in procuring components and materials, rising costs, and the suspension of operations at our plant in China because of a lockdown—orders were favorable thanks to burgeoning demand in India, which is seeing increasingly dynamic economic activity, and higher demand for medium- and large-sized electric machines in North America, which reflected an emerging decarbonization trend. Further, we proceeded with the reorganization of domestic and overseas production bases by completing the transfer of the production of small and medium-sized electric machines to Thailand and China and by expanding our plant in India.
- Die casting machines: We won orders as a delay in the recovery of domestic demand was outweighed by a combination of new demand related to electric vehicles in East Asia centered on China—which reflected the global introduction of electric vehicles—and growth in demand for die casting machines equipped with electrical die locking systems that realize superior productivity and environmental performance.
- Extrusion machines: With the transformation resulting from automakers' global introduction of electric vehicles, we are experiencing a rise in large-scale inquiries and orders for lithium-ion battery separator film production lines, especially in China. Aiming to ramp up production, prioritized increasing monthly production capacity to four production lines.

Initiatives for fiscal 2022 and beyond

- We will advance digital transformation initiatives, such as digital twin-enabled improvements in quality, cost, and delivery. Also, we will continue making investments aimed at improving operational efficiency and profitability.
- With respect to injection molding machines, we will enhance and expand production bases and increase their efficiency so that we can provide optimal products mainly for the North American, Chinese, and Indian markets.
- As for die casting machines, the Company will endeavor to win more orders for equipment that facilitates the introduction of electric vehicles to the automotive market and develop new machine models that help reduce environmental impact.
- Regarding extrusion machines, we will raise production capacity to meet major orders for lithium-ion battery separator film production lines.

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 the lenses of smartphone and vehicle-mounted cameras; and glass lens molding.

Main Products

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

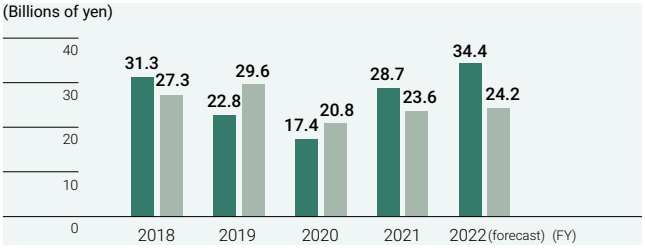
Double column type machining center (MPC-E II)

Boring machine (BTD-110H.R16)

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

Performance Summary

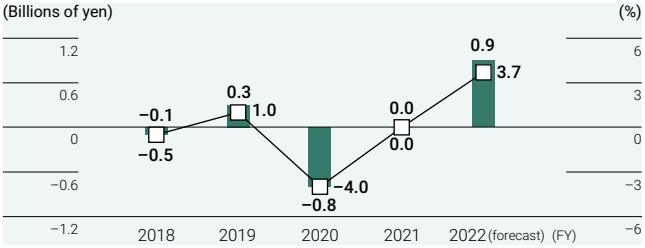
Amount of Orders Received / Net Sales



Amount of orders received Net sales

Note: Net sales, operating income, and the operating margin include intersegment transactions.

Operating Profit / Operating Profit Ratio



Operating profit (left axis) Operating profit ratio (right axis)

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 Machine Tools

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

Retrofitting Business

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

Strengths

- Technical capabilities for the specifications of ultra-large, special-purpose, and custom products
- Ability to develop world-class technologies that enable leading-edge nano-order processing
- Resources that enable production of ultra-large products through to high-precision products

Weaknesses

- Low percentage of overseas sales
- Dispersal of resources due to diverse product lineup

S W O T

Opportunities

- Increasing demand for systemization and the introduction of the IoT to save labor and improve productivity
- Increasing investment in new environment-friendly infrastructure and energy
- Growth in new demand accompanying the shift to electric vehicles

Threats

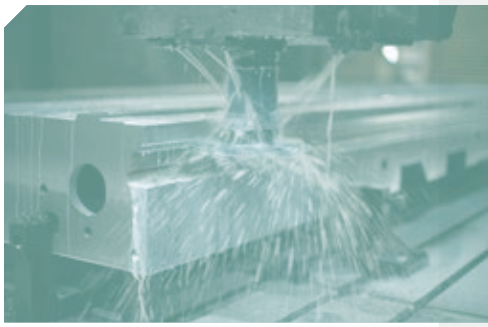
- Strengthening of export control regulations
- Technological progress of manufacturers in emerging countries

Business Management

Many customers want to heighten their production efficiency by minimizing the movement of personnel through the introduction of labor-saving measures, unmanned operations, and remote maintenance, and we must maintain capabilities for catering immediately to such customers. Accordingly, we will analyze customer needs 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 machine tools for advanced businesses, such as smartphones, automotive optical components, and semiconductors. Also, we will increase the scale of the high-precision machine tools 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 2021 measures

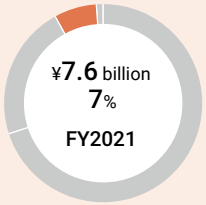
- By applying conventional technology for the friction stir welding of identical materials to realize friction stir welding of dissimilar materials, we developed a technology capable of a kind of welding that is difficult to achieve with conventional welding technology.
- SHIBAURA MACHINE advanced the development of a high-speed five-axis double column type machining center that realizes the extremely precise shapes required for automobile weight reduction.
- Against the backdrop of demand for renewable energy, we grew orders and sales of machine tools for wind power generation equipment.
- The promotion of autonomous driving was accompanied by an increase in orders for and sales of high-precision machine tools for vehicle-mounted camera lens molds.

Initiatives for fiscal 2022 and beyond

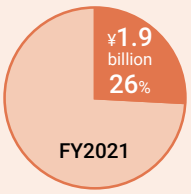
- For machine tools, we will focus on fields that promise growth, such as automobiles, aircraft, energy, and the environment. Most recently, we have been helping customers improve their production efficiency by advancing the development of a large high-speed multipurpose machine that is designed to improve productivity in the manufacture of large components for bigger wind power and hydroelectric power generation facilities—which are being established to increase electricity generation in anticipation of electricity supply shortages.
- With respect to high-precision machine tools, we will continue enhancing the accuracy of high-precision aspheric surface grinders, thereby developing equipment that meets market demand for increased precision and efficiency, which includes demand for equipment that improves the efficiency of front-end processes.
- Going forward, we will raise our production capacity for high-precision machine tools, which promise further growth.

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, through the creation and expansion of control solution businesses in the global market, we are contributing to the realization of a sustainable society.

Main Products

- Industrial robots
- Servo systems, Linear motors
- FA controller
- Engineering solutions

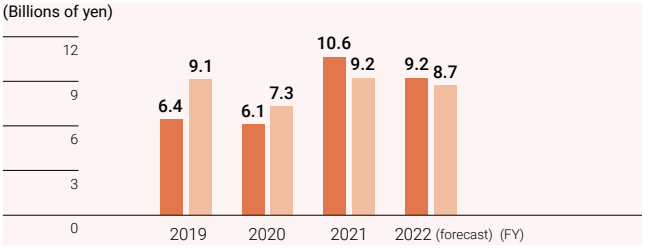
Industrial robot (THE1000)

Servo system (NCBOY-120)

Controller (V70)

Performance Summary

Amount of Orders Received / Net Sales

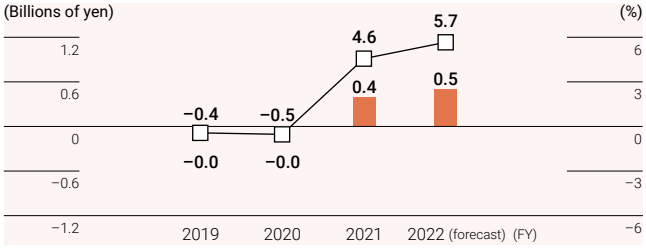


Amount of orders received Net sales

Note 1: As of fiscal 2020, the classification of industrial robots and electronic control systems has been changed from the Others segment to the Control Systems segment.

Note 2: Net sales, operating income, and the operating margin include intersegment transactions.

Operating Profit / Operating Profit Ratio



Operating profit (left axis) Operating profit ratio (right axis)

Business Overview

We develop various types of industrial 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. Also, over many years, for our own products, we have developed and manufactured high-performance controllers, which help heighten the performance and functionality of machine tools and various types of molding machines.

Strengths

- Control technology know-how cultivated in many different areas inside and outside the Company
- 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

Weaknesses

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

S W O T

Opportunities

- Increasing need for unmanned and labor-saving systems
- Growing demand for semiconductor manufacturing equipment due to the spread of 5G and 6G next-generation telecommunications
- 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

Threats

- Restrictions due to stricter standards and regulations for safety and information security in each country
- Lengthening of delivery times and higher costs for components and materials, including semiconductor components

Business Management

With regard to industrial robots, we will start full-scale production of SCARA robots at our plant in China to increase our share of the country's market. In particular, we will strive to win orders from major electric vehicle-related customers for the THE800 and THE1000, which are new models, and TS5000, which is a new controller. In the domestic market, the CS Company will collaborate with the M&P Company and the MT Company to develop robot-enabled system packages that meet demand for the automation of pre- and post-processes. Further, in fiscal 2022 we will market dual-arm collaborative robots—which are being developed from a market-oriented perspective—and establish the value of these products. We will further increase the scale of servo system sales by providing products and services that facilitate the introduction of electric vehicles, which is set to become a trend in various industries going forward. Also, the Company will expand the engineering solutions business by meeting the increasing demand for in-plant logistics through the construction and selling of logistics conveyance systems, which incorporate palletizing and depalletizing equipment as well as equipment for the automatic unpacking of cardboard packages.

Value Creation

Results and topics of fiscal 2021 measures

- We launched THE800 and THE1000, which are large, highly portable SCARA robots that cater to the need for manufacturing equipment for electric vehicle rechargeable batteries.
- By incorporating the new high-speed high-precision THE600 SCARA robot 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 completed the transfer of SCARA robot production to our plant in China.
- We expanded our engineering solutions business by developing new customers through the introduction of in-plant logistics equipment, such as palletizing equipment and equipment for the automatic unpacking of cardboard packages.

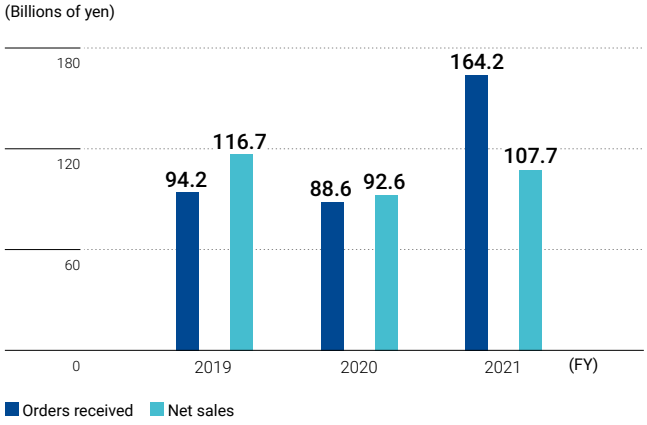
Initiatives for fiscal 2022 and beyond

- We will grow sales in the electric vehicle rechargeable battery industry of the newly commercialized THE800 and THE1000 SCARA robots.
- In engineering solutions, we will further increase sales by proposing systems that cover multiple in-plant logistics processes from upstream operations through to downstream operations, focusing on equipment for palletizing and depalletizing and equipment for the automatic unpacking of cardboard packages.
- In proposing composite molding systems compatible with carbon fiber reinforced plastic—which help realize lighter weight automobiles—we will expand system packages that use robots to meet needs related to the automation of pre- and post-processes.
- In line with various industries' introduction of electric vehicles, we aim to further increase sales of servo systems and establish capabilities for their mass production.

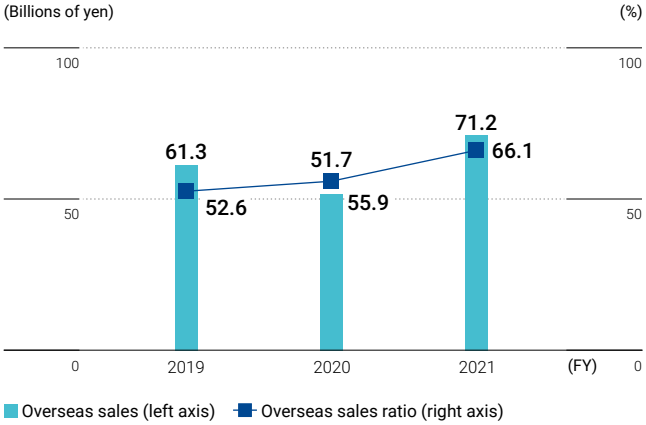
Financial and Non-Financial Highlights

Consolidated Financial Highlights

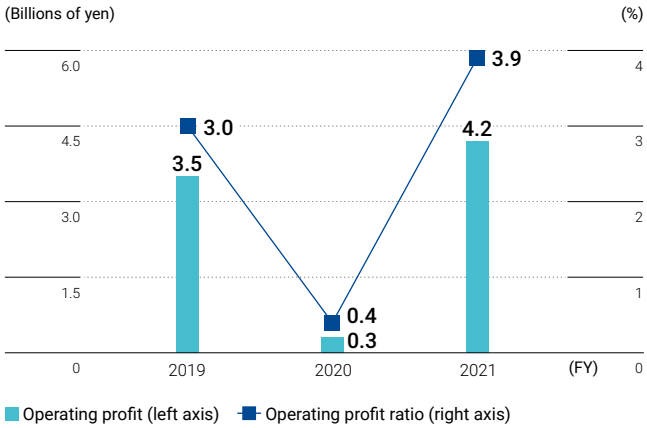
Orders Received / Net Sales



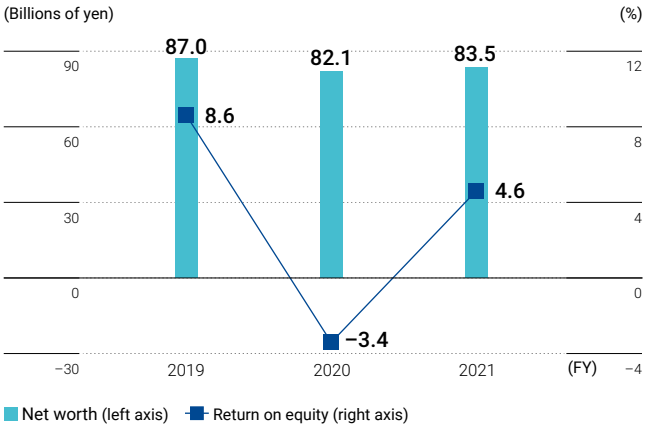
Overseas Sales / Overseas Sales Ratio



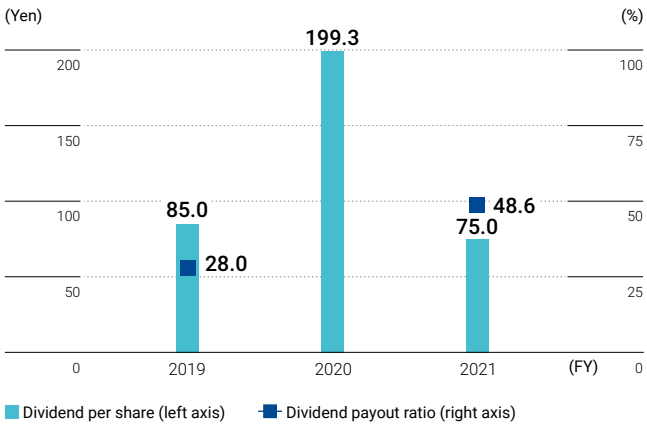
Operating Profit / Operating Profit Ratio



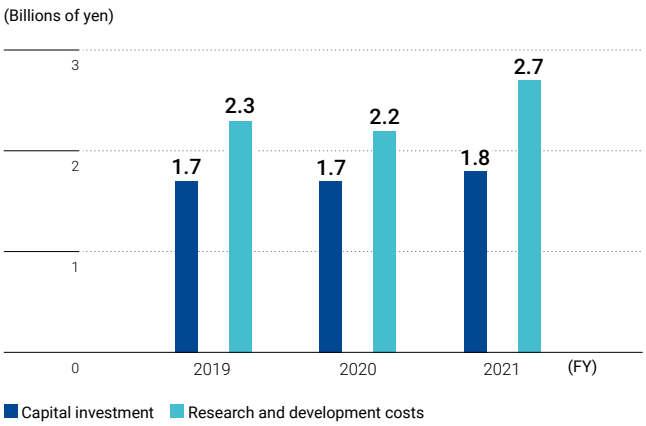
Net Worth / Return on Equity



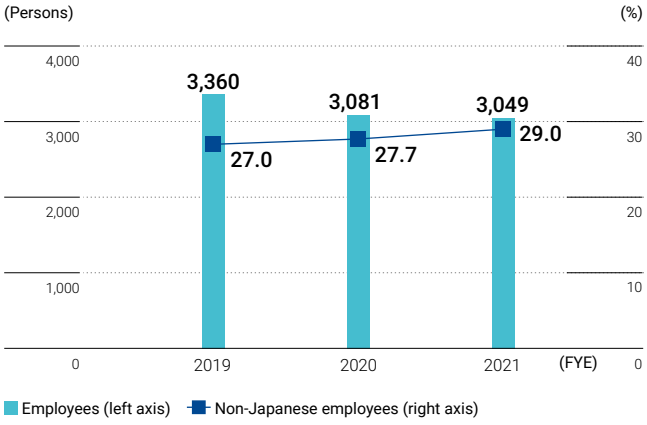
Dividend per Share / Dividend Payout Ratio



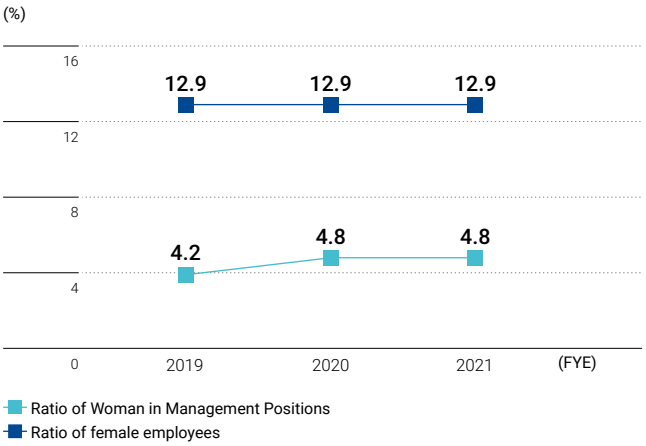
Capital Investment / Research and Development Costs



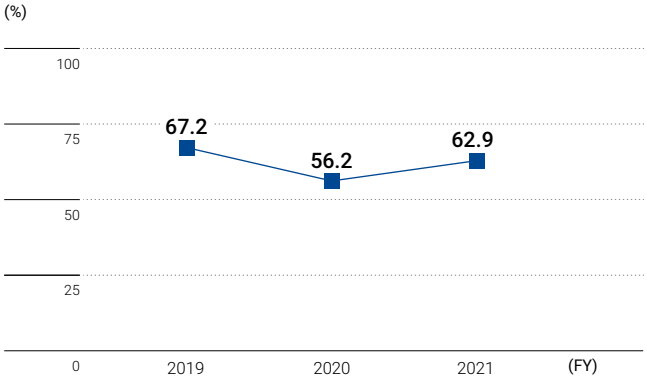
Employees / Non-Japanese Employees (Consolidated)



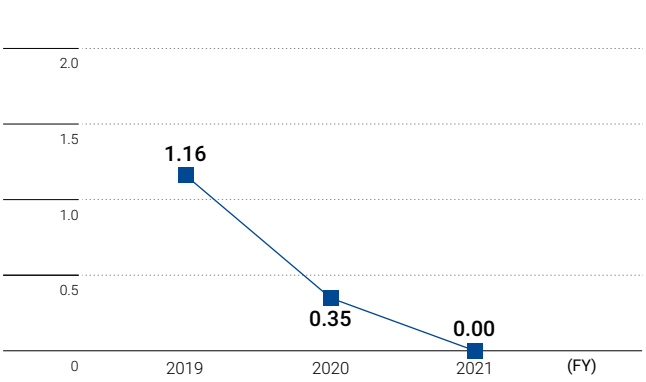
Ratio of Woman in Management Positions / Ratio of Female Employees (Consolidated)



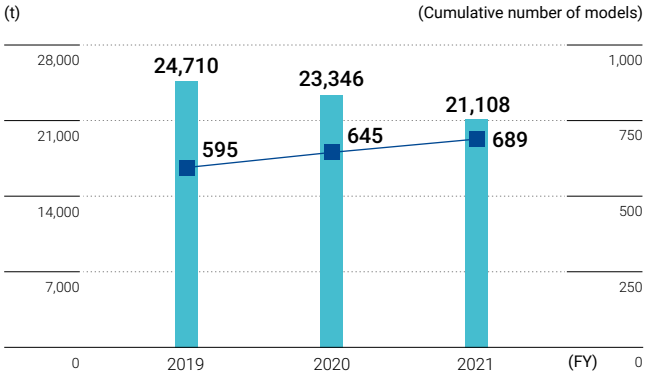
Acquisition Rate of Paid Leave (Non-Consolidated)



Lost Time Injury Frequency Rate (Non-Consolidated)

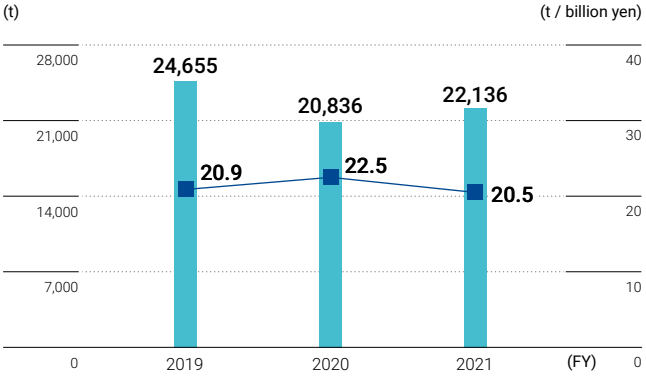


CO_2 Emissions Reduction Due to Environmentally Conscious Products* / Number of Registered Environmentally Conscious Products



* 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



10-Year Financial Data (Consolidated)

	FY2012	FY2013	FY2014	FY2015
Management Performance				
Net Sales	120,899	113,062	124,373	117,259
Gross profit	33,605	31,581	33,639	32,254
Gross profit / sales (%)	27.8	27.9	27.0	27.5
Operating profit	8,078	4,625	4,788	3,806
Operating profit / sales (%)	6.7	4.1	3.8	3.2
Ordinary profit	9,823	6,501	6,542	4,966
Ordinary profit / sales (%)	8.1	5.7	5.3	4.2
Net profit (loss) in this term attributable to parent company shareholders	7,891	4,444	4,312	4,806
Net profit (loss) in this term attributable to parent company shareholders / sales (%)	6.5	3.9	3.5	4.1
Amount of orders received	112,081	120,221	124,754	120,021
Financial Position				
Total assets	142,239	148,680	159,549	156,346
Net worth	79,399	84,217	93,669	93,345
Net worth ratio (%)	55.8	56.6	58.7	59.7
Interest-bearing debt	16,859	16,596	17,213	16,909
Important Financial Indicators				
Total asset turnover (number of turnovers)	0.85	0.78	0.81	0.74
Return on assets (ROA, %)	5.5	3.1	2.8	3.0
Return on equity (ROE, %)	10.5	5.4	4.8	5.1
Cash Flows				
Net cash provided by (used in) operating activities	7,435	3,024	(457)	2,781
Net cash provided by (used in) investing activities	(2,195)	(1,509)	(1,281)	2,252
Free cash flow	5,239	1,515	(1,739)	5,034
Net cash used in financing activities	(3,003)	(1,684)	(774)	(1,761)
Cash and cash equivalents at end of year	38,327	41,279	40,208	42,932
Net Sales by Region				
Japan	46,304	46,870	51,891	53,078
North America	17,456	19,255	22,778	20,754
Asia Pacific	54,476	44,335	47,084	41,090
Others	2,661	2,600	2,618	2,336
Total sales	120,899	113,062	124,373	117,259
Overseas sales ratio (%)	61.7	58.5	58.3	54.7
Capital Investment, Depreciation, Research and Development Costs				
Capital investment	769	1,766	2,193	1,547
Ratio of capital investment to net sales (%)	0.6	1.6	1.8	1.3
Depreciation	2,065	1,840	1,965	1,756
Ratio of depreciation to net sales (%)	1.7	1.6	1.6	1.5
Research and development costs	1,566	1,551	1,663	1,668
Ratio of research and development costs to net sales (%)	1.3	1.4	1.3	1.4
Shareholder Returns				
Total amount of dividends	1,368	1,140	1,216	1,824
Dividend payout ratio (%)	17.3	25.7	28.2	38.0
Per Share Information				
Number of shares* outstanding at end of period (thousand shares) excluding treasury stocks	152,032	152,029	152,025	152,021
Net income per share	51.91	29.23	28.36	31.61
Dividend per share	9.0	7.5	8.0	12.0

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

Millions of yen

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
111,327	116,862	117,405	116,761	92,635	**107,777**
31,977	33,150	32,912	33,459	24,904	**32,515**
28.7	28.4	28.0	28.7	26.9	**30.2**
4,473	4,640	3,834	3,529	381	**4,236**
4.0	4.0	3.3	3.0	0.4	**3.9**
5,406	6,982	5,573	3,825	872	**4,544**
4.9	6.0	4.7	3.3	0.9	**4.2**
1,776	5,016	4,079	7,338	(2,898)	**3,725**
1.6	4.3	3.5	6.3	(3.1)	**3.5**
117,021	128,139	134,501	94,224	88,619	**164,277**
138,373	148,763	150,724	154,283	134,296	**166,989**
77,120	81,334	83,197	87,018	82,152	**83,515**
55.7	54.7	55.2	56.4	61.2	**50.0**
14,890	14,390	14,390	14,390	14,390	**14,217**
0.76	0.81	0.78	0.77	0.64	**0.69**
1.2	3.5	2.7	4.8	(2.0)	**2.4**
2.1	6.3	5.0	8.6	(3.4)	**4.6**
9,948	6,813	(2,176)	5,312	192	**11,299**
(2,983)	(3,921)	(1,493)	19,772	(1,537)	**(1,264)**
6,965	2,892	(3,669)	25,085	(1,344)	**10,035**
(19,089)	(2,102)	(1,785)	(1,964)	(4,956)	**(2,108)**
30,060	30,798	25,592	48,011	42,417	**51,710**
47,811	46,356	49,298	55,393	40,850	**36,490**
19,993	18,490	18,998	14,913	14,841	**17,066**
41,539	50,496	46,142	45,043	36,070	**53,214**
1,983	1,518	2,964	1,410	872	**1,006**
111,327	116,862	117,405	116,761	92,635	**107,777**
57.1	60.3	58.0	52.6	55.9	**66.1**
1,335	4,687	1,195	1,741	1,799	**1,810**
1.2	4.0	1.0	1.5	1.9	**1.7**
1,730	2,049	1,868	1,781	1,755	**1,952**
1.6	1.8	1.6	1.5	1.9	**1.8**
1,648	1,899	1,835	2,378	2,218	**2,771**
1.5	1.6	1.6	2.0	2.4	**2.6**
1,636	1,689	1,810	2,051	4,810	**1,811**
101.1	33.7	44.4	28.0	–	**48.6**

Yen

120,690	120,682	24,136	24,135	24,146	**24,154**
11.87	41.57	169.03	304.06	(120.05)	**154.27**
12.0	14.0	45.0	85.0	199.3	**75.0**

Corporate Information

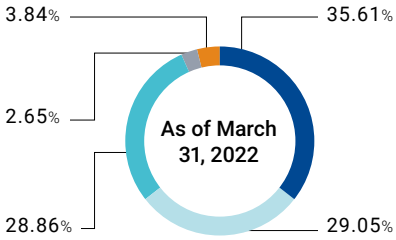
(As of March 31, 2022)

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: 3,049 (Non-Consolidated: 1,664)	

Stock-Related Information

Stock ticker code	6104
Stock listing	Prime Market, 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 (As of March 31, 2022)	29,977,106 (including treasury stock: 5,822,705)
Number of shareholders (As of March 31, 2022)	10,697 (decrease of 3,013 persons from the end of the previous fiscal year)

Distribution of Shares by Shareholder Type



Note: Treasury shares are included.

- Individuals and others (including treasury shares) **10,675,448** shares
- Foreign institutions and individuals **8,706,864** shares
- Financial institutions **8,650,977** shares
- Other Japanese companies **792,920** shares
- Securities companies **1,150,897** shares

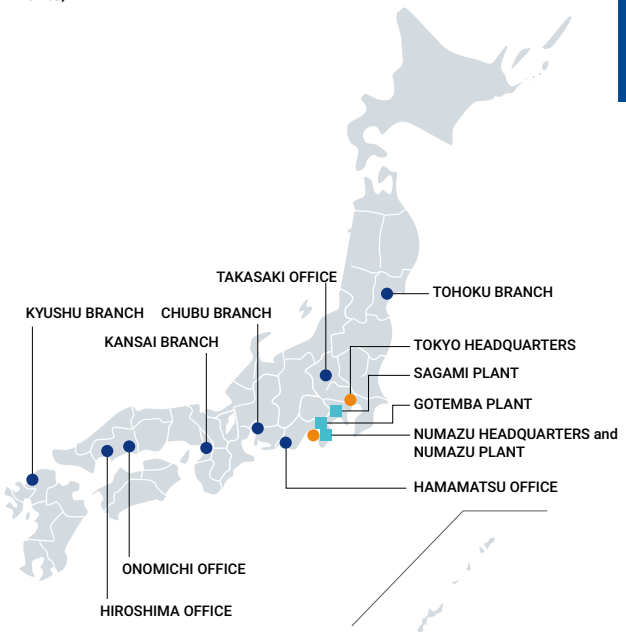
Major Shareholders (As of March 31, 2022)

Shareholder name	Number of shares held (thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,033	16.70
Custody Bank of Japan, Ltd. (Trust Account)	2,049	8.48
MSIP CLIENT SECURITIES	880	3.64
Shizuoka Bank, Ltd.	596	2.47
BNYM AS AGT/CLTS NON TREATY JASDEC	559	2.32
Shibaura Machine Employee Stock Ownership Association	552	2.29
Mitsui Sumitomo Banking Corporation	536	2.22
Shibaura Machine Suppliers' Stock Ownership Association	522	2.16
GOLDMAN SACHS INTERNATIONAL	411	1.70
BBH FOR GLOBAL X ROBOTICS AND ARTIFICIAL INTELLIGENCE ETF	383	1.59

Note 1: Although Shibaura Machine holds 5,822,705 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 (● Headquarters ● Branches and Business Offices ■ Plants)

● TOKYO HEADQUARTERS	2-2, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8503, Japan
● NUMAZU HEADQUARTERS	2068-3, Ooka, Numazu-shi, Shizuoka-ken, 410-8510, Japan
● 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	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

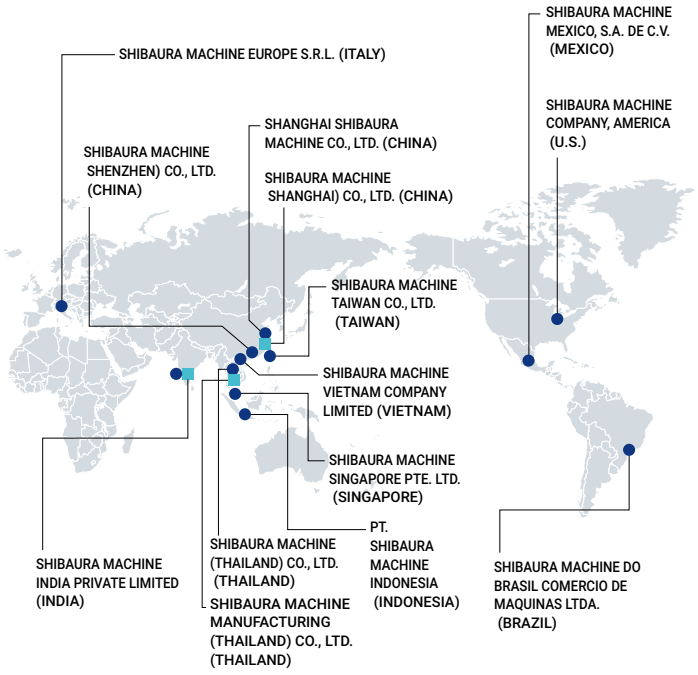


Domestic Affiliates

SHIBAURA MACHINE ENGINEERING CO., LTD.	267-2, Nishi-sawada, Numazu-shi, Shizuoka-ken 410-0007, Japan
TOEI ELECTRIC CO., LTD.	131, Matsumoto, Mishima-shi, Shizuoka-ken 411-8510, Japan
SHIBAURA SEMTEK CO., LTD.	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
SHIBAURA SANGYO CO., LTD.	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan

Overseas Affiliates (● Sales and Service 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 Americas	● SHIBAURA MACHINE COMPANY, AMERICA (U.S.)
	● SHIBAURA MACHINE MEXICO, S.A. DE C.V. (MEXICO)
	● SHIBAURA MACHINE DO BRASIL COMERCIO DE MAQUINAS LTDA. (BRAZIL)
	● SHIBAURA MACHINE EUROPE S.R.L. (ITALY)



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