



Integrated Report 2023



Integrated Report 2023

For the Fiscal Year Ended March 31, 2023



SHIBAURA MACHINE CO., LTD.

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

SM23051-PDF-ED

SHIBAURA MACHINE CO., LTD.

Contents

SHIBAURA MACHINE's Story

- 02 Our Starting Point
- 04 Message from the Chairman
- 06 Our History
- 08 Strengths Honed Over More Than 80 Years
- 10 Eight Technological Platforms
- 12 Value Creation Process
- 14 SHIBAURA MACHINE Products — Supporting Manufacturing

Management Message

- 16 Message from the President

Management Strategy

- 20 Medium-Term Management Plan “Management Reform Plan”
- 24 New SHIBAURA MACHINE Long-Term Vision 2030
- 28 Message from the CFO

Special Feature

SHIBAURA MACHINE's Value Creation

- 30 Specific Initiatives in the Value Creation Process

Sustainability Management of SHIBAURA MACHINE

- 36 Sustainability Management of SHIBAURA MACHINE
- 38 Human Resource Strategy
- 42 Intellectual Property
- 43 Supply Chain Management
- 44 Environment
- 48 Discussion among the Chairman and Outside Directors
- 52 SHIBAURA MACHINE's Corporate Governance
- 58 Board Members

Management Strategy by Company

- 60 Metal & Plastics Industrial Machine Company
- 62 Machine Tools Company
- 64 Control Systems Company

Corporate Data

- 66 Financial and Non-Financial Highlights
- 68 10-Year Financial Data (Consolidated)
- 70 Corporate Information

Editorial Policy

We have published our *Integrated Report 2023* 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.



Looking to the Future

Manufacturing Products Never Seen Before

SHIBAURA MACHINE's founder Kametaro Fujishima had a deep passion for 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, thereby supporting society's infrastructure.

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

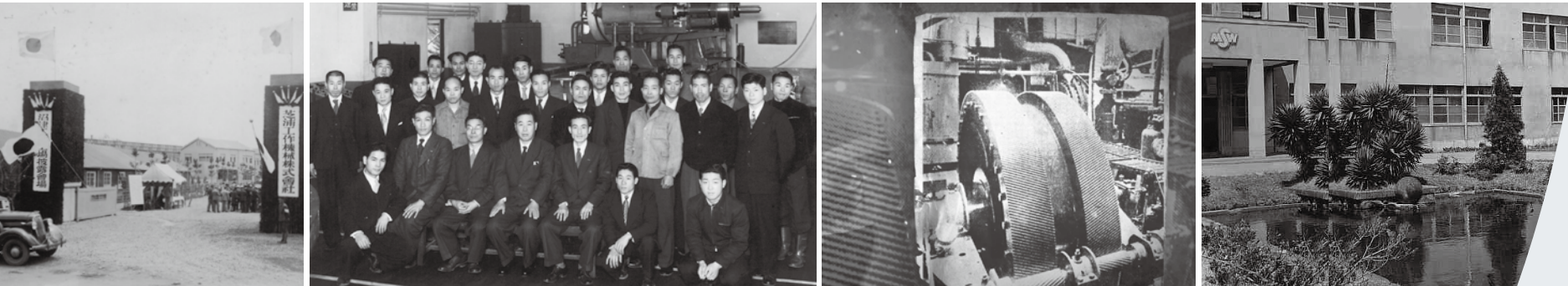
In 1913, prior to the Company's founding, Japan's first turbine ship became stranded off the coast of South America. The accident was caused by the ship's imperfectly manufactured reduction gears. When the high speed rotation of the steam turbine was reduced to match the rotational speed of the screw, the load concentrated on one tooth, which consequently broke. 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, the

main operation of which 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, each and every one of our employees has inherited a pioneering spirit that makes the "impossible" possible through untiring research and effort. Moreover, our mindset is precisely what enables us to do what others cannot and thereby solve an array of issues.

Our Starting Point

Since 1938



Founder

Kametaro Fujishima

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.

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.

Message from the Chairman

We will continue progressing on our path to 2030, sprouting and then reaping the harvest of the seeds we have sown.

Overcoming These Confusing Times

The global situation is growing more uncertain due to various mounting geopolitical risks, coupled with concerns about inflation and economic slowdowns. Meanwhile, companies need to navigate cautiously as economic and security interests grow more intertwined and the emergence of generative AI redraws the technological landscape. Companies are also being called on to ascertain the directions technology will take and the industrial structure from a global perspective.

SHIBAURA MACHINE is committed to its Management Reform Plan (a medium-term management plan announced in February 2020 and ending in fiscal 2024). This plan aims to transform the Company into an organization that can overcome uncertainty in an age when long-term forecasting is difficult. The essence of the plan is to develop the wherewithal to sense change, and then apply our limited management resources flexibly to transform

the organization and leverage our dynamic capabilities, maximizing output. The reforms we have implemented to date have yielded visible results. One notable example is our removal of organizational barriers by transitioning from a system of business units to an in-house company system. Our objective was to make human resources more fluid, starting with the manufacturing divisions, thus enabling us to respond to increasing product demand. Moving beyond manufacturing, next we will extend this sort of flexibility to the design and sales functions, making us a “truly fluid” organization. Backcasting from there, we will build an organization capable of concentrating management resources flexibly on design, manufacturing, and sales before product demand even emerges. The New SHIBAURA MACHINE Long-Term Vision 2030 (Long-Term Vision 2030) serves as our roadmap.

Expecting the Seeds to Sprout

SHIBAURA MACHINE conducts management in an “ambidextrous” manner, meaning we consistently enhance the performance and quality of existing products while exploring potential new products and also realizing innovation through the combination of existing technologies and products.

Long-Term Vision 2030 embraces a business portfolio strategy of concentrating management resources on

high-value-added products while withdrawing from low-profitability businesses. Continuing to enhance existing businesses, we will also direct our efforts toward four key themes: energy and the environment, increased labor productivity, AI/IoT, and new materials. To focus these themes, we have established the R&D Center, which consolidates the Company's intellectual property. Of the four themes, “energy and the environment” is particularly

important as it cuts across all our subsidiaries. Under this theme, we are making steady inroads in the areas of energy creation, storage, and saving. In AI/IoT, we are putting in place the infrastructure for “SHIBAURA DX (digital transformation),” which can simulate 99.7% of all processes in virtual space through the use of digital twins. When overseeing and supervising operations, I pay special attention to the balance between “enhancement” and “exploration.” In the upcoming medium-term management plan currently being formulated by the executive team, I expect to see our “exploration” efforts bear fruit and be harvested. Given the projected decrease in domestic demand, we will need to step up our globalization efforts even further.

I urge the executive team to consistently reassess their decision-making process. Flexible decision-making is essential in a rapidly changing external environment. That said, by consistently documenting and verifying overall processes—whether they were successful or not—we can check the validity of our decision-making and increase the likelihood of success in future decisions.

SHIBAURA MACHINE's Undaunted Determination

Outside directors represent our shareholders, and their views are particularly important now that our shareholder composition has seen a significant change. We appreciate the sharp insights from our outside directors, who bring expertise from diverse industries, offer suggestions related to shareholders' interests, and help us identify challenges from different perspectives. I am grateful for their efforts to thoroughly understand our business and provide incisive observations from a shareholder perspective.

To maintain our value in society, our management approach must adhere to the Japanese management concept of *sanpo yoshi* (business that is good for the buyer, the seller, and society). For example, by offering products that help reduce environmental impact and preserve the Earth's environment, at the same time enhancing customer satisfaction and returning profits to our shareholders, we aim to share benefits and value with all stakeholders. Achieving such a balance requires good communication because developing products such as extrusion machines for lithium-ion battery separator films takes time (for us, more than 20 years). To gain shareholders' understanding of and support for our long-term initiatives, we need to provide detailed explanations and strive to meet our planned objectives each quarter.



Yukio Iimura
Chairman

When we announced the Management Reform Plan in 2020, I said that under this plan I expected us to demonstrate our commitment and achieve results. I am convinced that President Sakamoto, along with each of the Company's executives and employees, shares this determination and will continue to support SHIBAURA MACHINE as we advance unwaveringly in accordance with the social mission outlined in our since in our founding: “helping key industries overcome challenges.”

August 2023

Chairman













SHIBAURA MACHINE

Always Benefiting Key Industries

Working in close partnership with customers, SHIBAURA MACHINE has provided 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.

1930 1940 1950 1960 1970 1980 1990 2000 2010 2020-FUTURE

Changing Times and Business Evolution

1930s to 1940s	1950s to 1960s	1970s to 1980s	1990s to 2000s	2010s to present
From military demand to postwar reconstruction	High economic growth	Oil shocks and globalization	Collapse of Japan's asset-inflated bubble economy, global economic downturn triggered by the bankruptcy of the Lehman Brothers, and the beginning of a low-growth era	Digitalization, toward the realization of a sustainable society
Development of large machine tools and concentration on the textile industry	Concentration on heavy industry and the development of molding machine operations	Active forays into overseas markets	From processing to molding and the creation of new businesses	Strengthening of the global supply chain and conversion to businesses that combine products and services
 <p>A double column type planing machine</p>  <p>A textile machine</p>	 <p>The HRS-500 master gear hobbing machine</p>  <p>A 65mm single screw extrusion machine</p>	 <p>Our U.S. subsidiary</p>  <p>Our subsidiary in Singapore</p>	 <p>An electric injection molding machine</p>  <p>A micro-pattern imprinting machine</p>  <p>Our plant in China</p>	 <p>Our plant in India</p>  <p>Our plant in Thailand</p>  <p>Utilization of digital transformation</p>
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.	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 in the field of machine tools resulted in the development of a series of molding machines that now form the basis of our core businesses.	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.	In response to an economic recession, we advanced selection and concentration, divesting our food machinery and offsetting 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.	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 and help to realize a sustainable society.

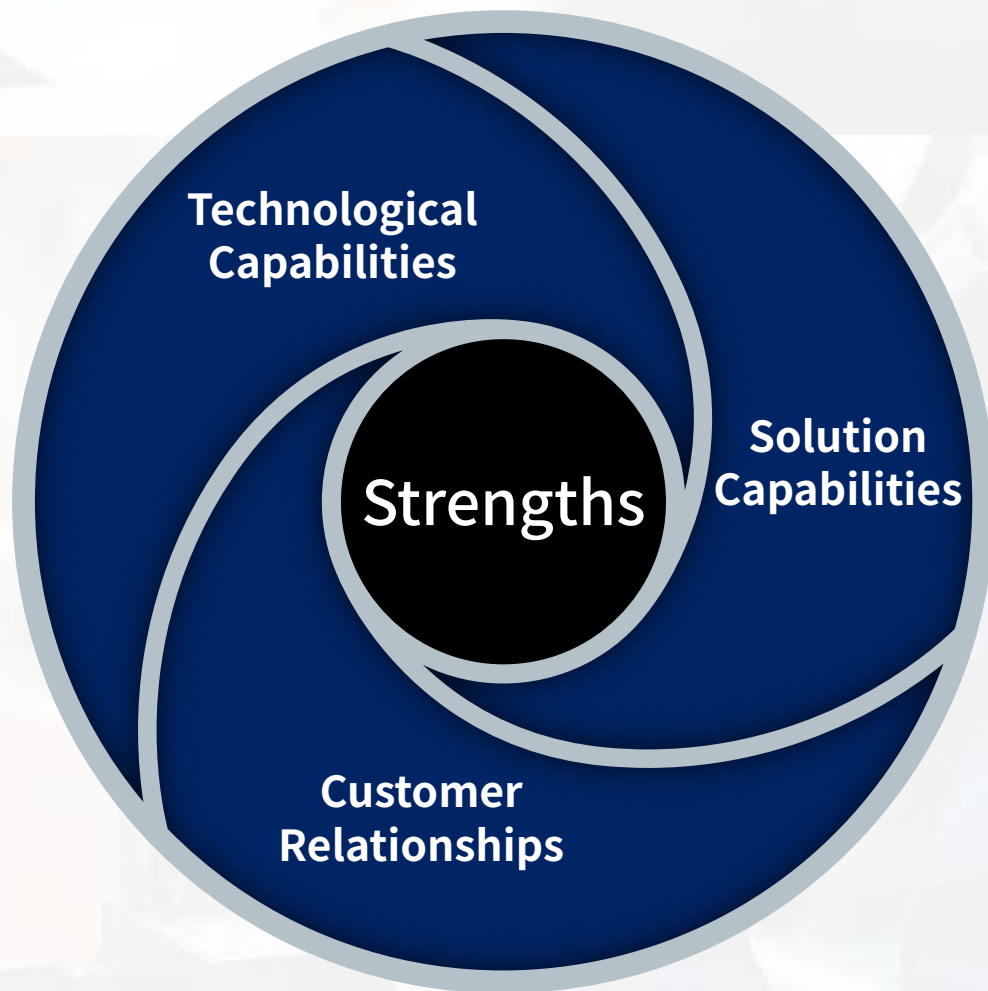
Response to a Changing Industry Structure



Machine tools	1938 Machine tool production started	1953 5-m master gear hobbing machine completed	1970 Gantry-type NC plano mirror MG-24/14A completed	1994 High-speed double column type die-sinking machine MPF-2140B completed	2014 Double column type machining center MPJ-2640M completed	2020 Vertical boring and turning mill TMD-C series completed	2022 Double column type machining center MPC-H completed
Moldings	1946 Mold production started	1956 Plastic mold completed	1968 Expanded to radiator-grill mold and automotive mold business	1987 RIM bumper mold	1993 High-precision optical glass mold press machine GMP-211 developed	2005 Micro-pattern imprinting machine ST50 completed	2019 Optical glass molding press machine Die molding transfer system (large aperture) GMP-207-9S completed
High-precision machine tools			1982 High-precision flat polygon mirror generator UFG-200P completed	1980 Programmable logic controller (PLC) PMC-5 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(SAD) completed
Electronic controls			1977 TOSNUC transferred from Toshiba Corporation		2001 Injection molding machine controller INJECTVISOR-V21 completed		2018 Injection molding machine controller INJECTVISOR-V70 completed
Industrial robots				1996 SCARA robot business transferred from Toshiba Corporation		2011 Compact cartesian coordinate robot BA-C compact arm completed	2022 SCARA robot THE 1000 completed
Textile machinery	1945 Artificial silk production machine	1955 Primary fiber processing machine	1960 Secondary fiber processing machine				
Extrusion machines	1952 First plastic extrusion machine model completed		1979 Magnetic tape production machine (coater) completed		2001 High-precision coating unit (CR) developed	2014 High-cost-performance twin-screw extruder TEM-585SG completed	2018 Ultra-high-torque twin-screw extruder TEM-37SX completed
Injection molding machines		1956 First injection molding machine (preplasticating method) completed	1981 Extra-large injection molding machine IS5000DN completed		1998 Electric injection molding machine EC series developed	2016 All-electric injection molding machine EC280SXII - EC550SXII completed	2018 All-electric injection molding machine EC-SXIII series completed
Die casting machines	1953 Japan's first hydraulic die casting machine completed		1982 Magnesium hot chamber die casting machine DHM-300 completed		2000 Hybrid die casting machine DEC150MT developed	2014 Die casting machine DC350R-M/H/EM/EH completed	2020 Electric clamping die casting machine DC1300R-E completed
Hydraulic equipment		1963 Technology partnership for hydraulic equipment	1987 U-series hydraulic control valve completed			2007 Hybrid swing system development started	2015 Transfer of stocks
Semiconductor manufacturing equipment			1977 Electron beam drawing machine EBM-100/105H developed				2020 Transfer of stocks
Printing presses	1945 Sheet-fed offset printing machine produced	1972 Offset rotary press completed	1983 World's fastest print speed offset rotary press OA-4B2T-800D completed	1998 Sectional drive system rotogravure printing press GSN series developed	2001 Offset rotary press transfer to business		
Food machinery		1966 Draft beer automatic fixed quantity dispensing machine completed	1981 Coffee Master SDM-10A completed	1990 Beer server controller HBS completed	1999 Transfer to business		

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

By combining and establishing reciprocal relationships among strengths honed over many years, SHIBAURA MACHINE has provided value 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 gained technological capabilities in many different fields. This innovation-focused process has led to the formation of eight technological platforms. [▶ P.10-11](#) 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.



Solution Capabilities

The Company has been able to resolve a variety of issues by providing solutions 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 also 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 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.

Eight Technological Platforms

Developing and Manufacturing an Array of Advanced Industrial Equipment

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 molding	8 Using heat, light, and vacuum Nano-processing technology

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 measuring of large-scale components and the high-precision assembly and measurement of machines.

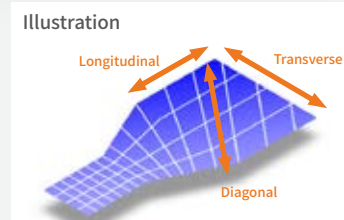


2 Supporting diversified application fields
Designing technologies for processing and molding machinery

Application Example
Film Stretching
High-Performance Film That Can Be Stretched Freely and with High Precision in Longitudinal, Transverse, and Diagonal Directions

Special films are used in optical and battery applications, such as for digital devices. These films require precise stretching and shrinking in the vertical, horizontal, and diagonal directions to achieve high performance. By combining SHIBAURA MACHINE's film conveying technology and high-precision control technology, we have succeeded in the continuous production of specialized films, stretching and shrinking them in the desired directions with precise control.

Reference: [▶ Special Feature P.30-33](#)



Use of an extrusion machine (film production equipment) to stretch film to a high degree of precision in the longitudinal, transverse, and diagonal directions

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.

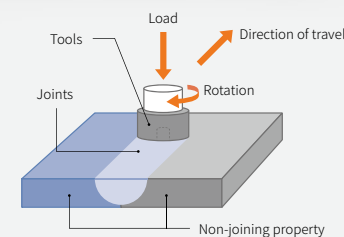


4 Maximizing machine performance
Material technology

Application Example
Joining Technology
Joining Different Materials through a Knowledge of Materials and Machine Tool Control Technology

Technology for joining dissimilar materials can help create metals etc. with different functions. These can be used when and where appropriate to achieve higher levels of functionality and produce high added value.

Different materials are joined by producing frictional heat, which softens adjacent surfaces and allows them to mix. The rigidity and robustness of SHIBAURA MACHINE's machine tools and the Company's control technology ensure stable joints.



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 aging 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.

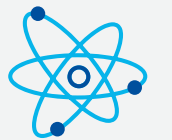


6 Supporting high-precision
Slide and rotation

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 ultra-precision processing machines that boast world-leading levels of precision. 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



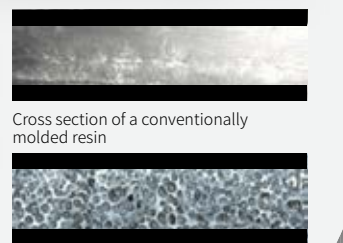
Precision so advanced that movement by the space of one atom is possible

7 Based on understanding of target material
Molding technology originated from molding

Application Example
Injection Molding Technology
Quality Improvement and Use of Ultra-Fine Air Bubbles to make Resin Molded Products Lighter

Automobiles are essential to modern society. Using strong and lightweight plastic molded materials can make automobiles more lightweight and help us realize a decarbonized society. SHIBAURA MACHINE's injection molding machines use foam molding technology that injects micro bubbles into the plastic. This reduces the weight of plastic items and increases strength, simultaneously boosting quality and performance. Measuring just 100 micrometers (0.1mm) in diameter, these bubbles are packed tightly into molded resin products, reducing the weight of automotive parts by 30% or more.

Reference: [▶ Special Feature P.34](#)



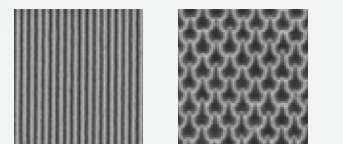
Cross section of a conventionally molded resin

Cross section of a foam-molded resin

8 Using heat, light, and vacuum
Nano-processing technology

Application Example
Roll-to-Roll Transfer Technology
High-Precision Patterned Film with Film Transport and Liquid Control

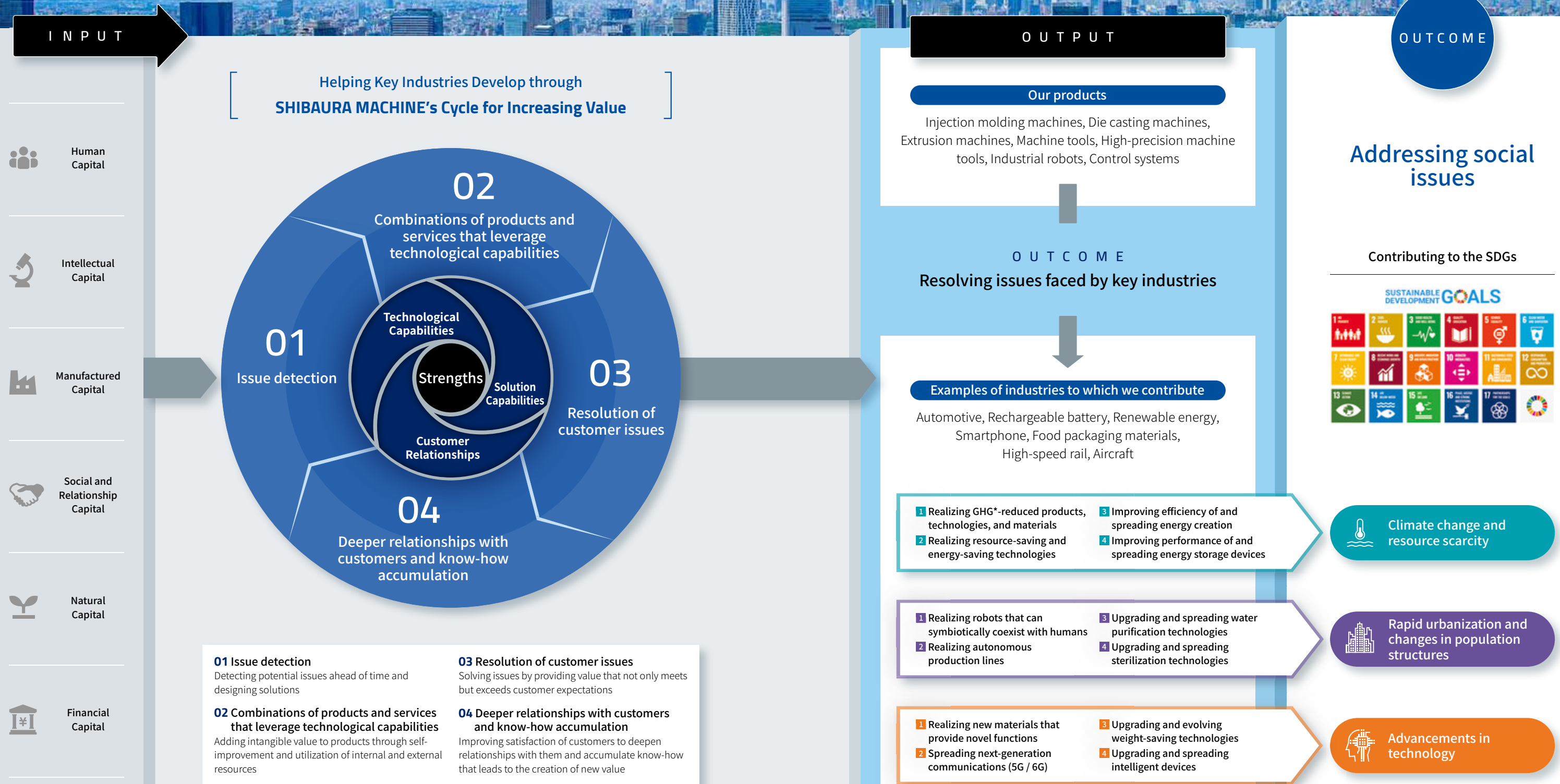
Televisions, smartphones, and other items have grown thinner and lighter as we have learned how to replace components that were previously made of thick plastic or glass panels with components made out of film and achieve the same level of functionality. Similarly, we believe that incorporating functions into films can enhance the functionality and performance of LCD and solar panels. SHIBAURA MACHINE's high precision processing and control technologies allow films to be transported precisely and liquid applied to films. Our transfer technologies also enable the application of functional patterns at the nanometer level, resulting in new types of functionality.



Fine functional patterns at the nanometer level

Continuing to Contribute to Key Industries

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



* greenhouse gas

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 our website.

Shibaaura Machine near You

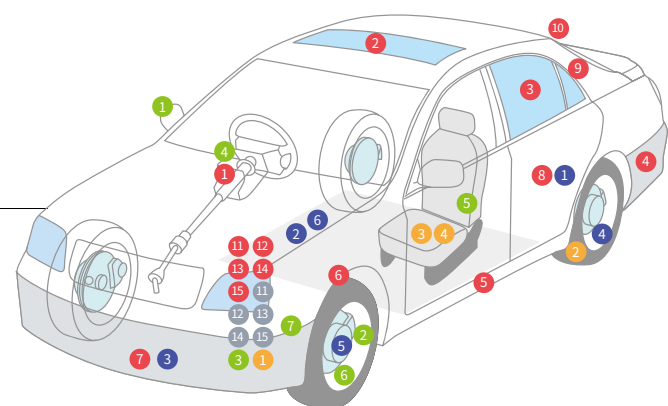
<https://www.shibaaura-machine.co.jp/en/technology/familiar/>

Product Information

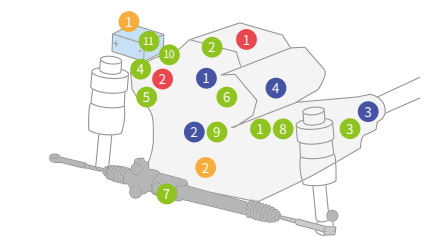
<https://www.shibaaura-machine.co.jp/en/product/index.html>



Automotive Industry



Engine

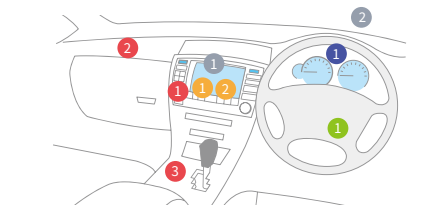


- 1 Engine head cover
- 2 Intake manifold
- 3 Oil separator
- 4 Valve body
- 5 Water pump bracket
- 6 Oil pump bracket
- 7 Front case
- 8 Rack housing
- 9 Transmission case
- 10 Oil pan
- 11 Engine block
- 12 Battery case
- 13 Separator film for battery
- 14 Fuel cell material for electric vehicles
- 15 Turbo impeller
- 16 Crank shaft
- 17 Clutch housing
- 18 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 Lamp cover
- 12 LED diffusion lens
- 13 Headlight lens
- 14 Headlight reflector
- 15 Clearance lamp
- 16 Side mirror housing
- 17 Brake caliper
- 18 Headlight case
- 19 Steering body
- 20 Seat frame
- 21 Wheel
- 22 Sub frame
- 23 Lamp covers and other heat-resistance resins
- 24 Tire
- 25 Interior decoration material elastomer sheet
- 26 Forming sheet
- 27 Door trim mold
- 28 Frame mold
- 29 Bumper mold
- 30 Wheel
- 31 Constant velocity universal joint
- 32 Copper plate

Interior



- 1 Switch
- 2 Dashboard
- 3 Console box
- 4 Steering wheel
- 5 LCD, OLED display materials
- 6 Printed board
- 7 Instrument panel mold
- 8 Car navigation system
- 9 Head-up display

Injection Molding Machines



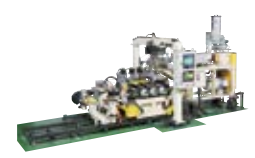
These machines mold plastic by injecting heated molten plastic into metal molds, which is then cooled and hardened.

Die Casting Machines



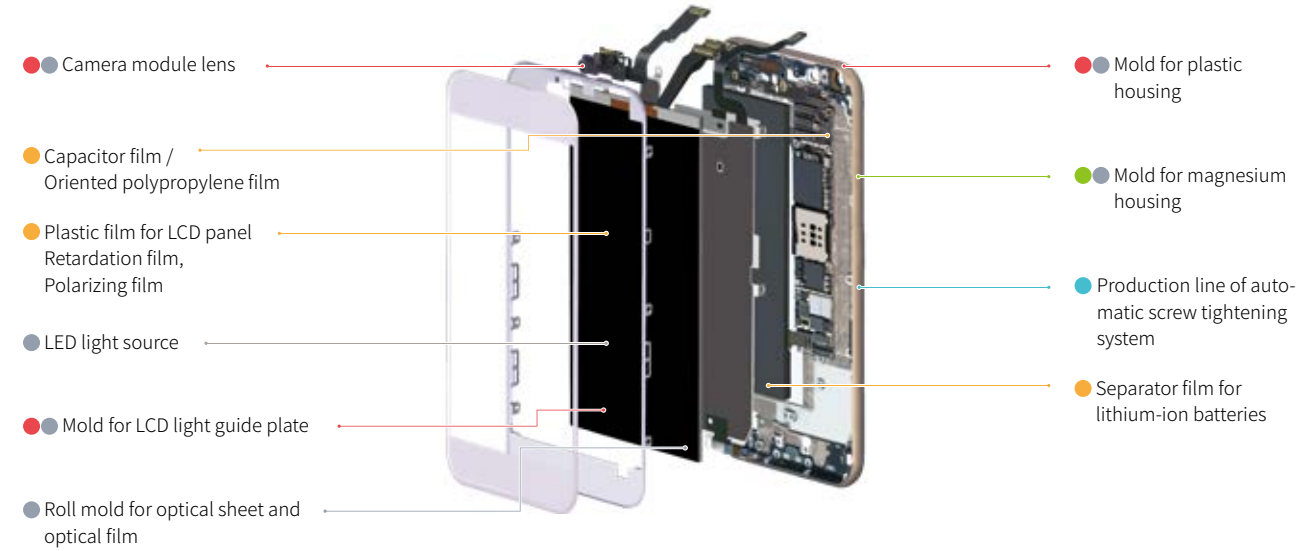
These machines cast products by applying high pressure to molten aluminum and magnesium and injecting it into molds.

Extrusion Machines



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

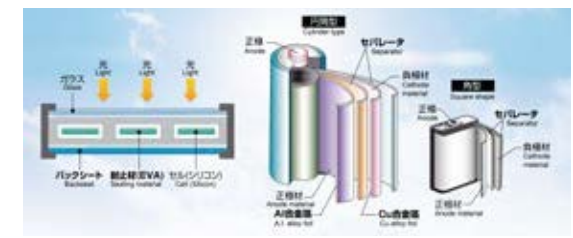
Smartphone Industry



- 1 Camera module lens
- 2 Capacitor film / Oriented polypropylene film
- 3 Plastic film for LCD panel Retardation film, Polarizing film
- 4 LED light source
- 5 Mold for LCD light guide plate
- 6 Roll mold for optical sheet and optical film
- 7 Mold for plastic housing
- 8 Mold for magnesium housing
- 9 Production line of automatic screw tightening system
- 10 Separator film for lithium-ion batteries

Energy Industries

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



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



Food-Related Industries

- 1 Heat-resistant tableware made of plant-based resin



Tableware for toddlers

- 1 Plastic sheet for food packaging



Highly functional containers for long-term food preservation and other purposes

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.



Shigetomo Sakamoto
President
Chief Executive Officer
Chief Operating Officer

Message from the President

“Management Reform Plan” Pursuing Fundamental Principles

After joining the Company as an engineer, I gained experience in various roles—in overseas assignments as well as stints in the planning department, sales department, and factory manager. A consistent approach sustained me throughout these experiences; I have maintained the mindset of an engineer who designs blueprints based on fundamental principles and proceeds with tasks in a calm and methodical manner, all aimed at achieving the desired output.

SHIBAURA MACHINE is characterized by having many diligent employees who carry out their assigned tasks assiduously. As a machinery manufacturer, I believe we should cherish this important corporate culture. However, in addition to an individualistic work approach, I have no doubt that our culture has retained some inward-looking and conservative aspects. As a result, our efficiency is lower than our peers'. As such, we positioned our March 2017 departure from the Toshiba Group as a turning point. In February 2020, we launched the Management Reform Plan, a medium-term management plan ending in March 2024 that aims to respond naturally to the broad-ranging demands of general shareholders. Recognizing the need to significantly change some practices that have become ingrained after 80 years, I and the rest of the management team have consciously set aside our personal interests and focused on resolving organizational inefficiencies in accordance with fundamental principles.

One pillar of these reforms was our transition from a system of business divisions to an in-house company system. Under the former system, responsibilities for revenues were blurry and the organization siloed and rigid, so we reorganized our seven business divisions into three in-house companies. These companies are responsible for their own profitability and, in addition to financial performance, they determine their own investments, cash flows, and personnel. To improve asset efficiency, the companies have integrated formerly dispersed production sites alongside streamlining overlapping procurement and R&D functions. Our global approach focuses on offering high-value-added products in Japan, while in highly cost-competitive markets, such as China and India, we produce low-mix, high-volume standardized products and maintain high local procurement ratios for parts and materials. This approach of locating production in the most suitable regions helps insulate us from the impact of foreign exchange fluctuations and boosts production efficiency. In addition, we utilized part of the Sagami Plant site to jointly commercialize a logistics facility through a business alliance with Mitsui Fudosan Co., Ltd. We also built a management accounting system to make business management more visual by helping us to accurately understand the effects of investments. We introduced a sales management system to share sales information beyond in-house companies. These multifaceted efforts to improve efficiency produced tangible results in fiscal 2022.

We will push forward with a strong determination to solve any remaining challenges and drive bolder transformations than ever before to achieve significant leaps in the future.

Steady Progress on Transformation in Fiscal 2022

As in fiscal 2021, sales and profits both rose year on year in fiscal 2022. Although we experienced difficulties in sourcing parts and materials, and procurement costs rose, we benefited from yen depreciation. I think our performance was due in large part to our own efforts based on the Management Reform Plan. Many of our products have long production lead times, so there is always a risk that higher procurement costs after orders are received will put pressure on profit margins. For this reason, our Production Center, which is responsible for optimizing procurement Company-wide, works to promptly communicate information about cost fluctuations to the sales team and reflect this in selling prices. This system has been functioning effectively since fiscal 2021. In June 2022, a new assembly line for high-precision machine tools started up at the Gotemba Plant. We also made steady progress on streamlining the number of control systems, as maintenance costs had been weighing down profitability.

Our transition to an in-house company system proved extremely effective at increasing the manufacture of extrusion machines that produce separator films for lithium-ion batteries (lithium-ion battery separator film production lines). To meet the growing demand, we have increased production from two lines per month to four. The Molding Machine Company has also reallocated personnel to production lines, greatly improving its profitability. In addition, under the head office's authorization, some personnel have transferred between in-house companies. This human resource mobility is a major reason we have been able to meet growing demand without increasing the number of employees.

We intend to leverage the results of these reforms as a foothold to achieve further growth beyond fiscal 2023.

Lithium-ion Battery Separator Film Production Lines as a Driving Force

In fiscal 2023, we expect to surpass the quantitative targets set in the Management Reform Plan. The main basis for this outlook is our backlog of orders for extrusion machines, which was more than ¥150.0 billion as of the end of March 2023. The backlog was particularly high for extrusion machines related to lithium-ion battery separator film production lines. From fiscal 2023, we will see the full-fledged effects of recognizing revenue from sales of lithium-ion battery separator film production lines.

Demand for automotive batteries is expanding due to policies aimed at electric vehicles (EVs) becoming the mainstream in new car sales, primarily in Europe, the United States, and China. Dividing the period between now and 2030 into three stages, we have already addressed demand in the first stage, which focuses on quantitative

expansion. We are now transitioning to demand in the second stage, which we believe will focus on higher added value. Battery separator film production lines require complex coordination between various devices with different functions and high precision in the film itself, so the barriers to entry are high. At this stage, competition mainly exists among three companies, us included. We differentiate ourselves by being the only company that can provide a full line of manufacturing equipment, from extruders to winders, all designed in-house. We aim to stand out in the marketplace by offering turnkey solutions that enable the early launch of manufacturing lines capable of producing the quality our customers demand. Looking ahead, we believe the third stage of demand for automotive batteries will be characterized by the gradual proliferation of

solid-state batteries. Although it is difficult to predict the exact timing, we anticipate that lithium-ion batteries will remain dominant until at least 2030.

Currently, strict “rules of origin” in North America require a significant portion of automotive parts to be sourced within the region. As a result, Japanese and South Korean automakers are actively establishing or expanding EV assembly lines in the United States. We plan to explore

market opportunities and mitigate geopolitical risks by expanding lithium-ion battery separator film production lines in the United States, as well as in Europe and India.

While lithium-ion battery separator film production lines serve as a growth driver on the product front, on a regional level we see the Indian market as a key driver of medium- to long-term growth.

Steppingstones into India

As a manufacturer of industrial machinery, we have played a leading role in providing the foundations for manufacturing, even overseas, as industrial infrastructures undergo significant changes. In keeping with this spirit, in 2012 we acquired an injection molding machine manufacturer in India and started local production. India is currently experiencing remarkable economic growth, and the country’s population is expected to surpass that of China by 2023*. India is entering a stage of rising disposable incomes. Accordingly, we expect expansion in the markets for household appliances, building materials, containers, and automobiles, which will in turn attract the attention of global manufacturers, including Japanese automakers. Our policy is to strengthen our business foundation by steadily enhancing our capacity to produce injection molding machines, leveraging our accumulated local management expertise.

In the second half of fiscal 2023, we have begun operations at a new plant in India capable of manufacturing small, medium-sized, and large hydraulic injection molding machines. The new factory will raise our annual production capacity from 1,200 units to 3,200, and we will prepare for further growth by expanding capacity to 4,000 units. We are also considering the possibility of starting to produce small electric injection molding machines, as we anticipate rising demand for electric injection molding machines, which offer higher molding quality and lower power consumption than hydraulic injection molding machines. We envision leveraging this factory, which will have the highest production capacity for our injection molding machines, as a hub to expand sales of competitively priced, high-value-added injection molding machines from India to markets in the Middle East, Africa, and Europe.

* “World Population Prospects 2022,” United Nations

Reconfiguring Our Portfolio with a View to 2030

The Management Reform Plan is progressing as expected, but many challenges remain. Because we engage in B2B business, we need to continue providing what our customers demand in a way that meets their needs. However, a manufacturer-driven approach persists; our efforts to transition to a business flow based on input from the sales force are a work in progress. This change is an example of how we are transforming our corporate culture, which we are committed to achieving over time. When considering our business portfolio, we also need to provide what customers need at the right time, so we must allocate management resources more strategically to growing businesses. In fiscal 2023, we will implement profitability

improvement measures for each business, focusing on highly profitable projects for large-scale machine tools, where profitability is typically low. We will also shift human resources more boldly into high-growth businesses like extrusion machines, while simultaneously reducing fixed costs in stagnant businesses and expanding our growth businesses. Through these measures, we will enhance the overall efficiency of our business portfolio.

Under our next medium-term management plan, which starts in fiscal 2024, we will aim to surpass the record profits the Company achieved in fiscal 2006, propelling it toward a new stage of growth. To realize this goal, we will explore bolder portfolio restructuring options.

Poised to Capture the Megatrends

The decarbonization of society is a megatrend we can help to achieve through our unique technologies as we work to realize the New SHIBAURA MACHINE Long-Term Vision 2030. Putting the environment at the core of our business

domains, we will offer various high-value-added products to support customers who are working toward a decarbonized society, while simultaneously improving our profitability.



Among renewable energy sources, the global adoption of offshore wind power is expected to be particularly pronounced. In this field, machine tools that facilitate the highly precise machining of large parts, such as swivel shafts, can help improve power generation efficiency. Meanwhile, battery technology is growing more important in areas beyond EVs, such as for the energy management side of renewable energy. We expect demand for battery separator film production lines will continue to expand accordingly. In keeping with the automotive industry trend toward connected, autonomous, shared, and electric (CASE) vehicles, our molding machines can contribute to the transition from steel to aluminum, resin, carbon fiber, and other materials that reduce weight, extending cruising ranges. In this way, we hope to contribute to a decarbonized society throughout our entire supply chain.

It is difficult to predict what alternative fuel, such as electricity or hydrogen, will become the mainstream technology in the future, but we can focus our comprehensive capabilities flexibly in either direction. Our lithium-ion

battery separator film production lines meet needs related to EVs, while our die-casting machines are useful for new energy vehicles (NEVs) that require engines. In countries such as Japan and China, where falling birthrates are causing the working-age population to shrink, we plan to provide robots that can help automate assembly processes and other tasks.

The New SHIBAURA MACHINE Long-Term Vision 2030 calls for us to anticipate (sense) the challenges customers face and incorporate software that will help us optimize production management and maintenance—adding value to our products through the provision of services. We are striving to transform our business model from selling standalone products to one that combines products and services. Under SHIBAURA DX, we will generate such value by leveraging digital technology. The R&D Center is steadily working to develop the necessary framework, and we expect to demonstrate specific directions and achievements under our next medium-term management plan.

Maintaining a Sense of Urgency

We have prioritized the reform of our revenue structure and avoided making merely superficial adjustments in response to disclosure requests related to environmental, social, and governance (ESG) factors and the Sustainable Development Goals (SDGs). However, having made some progress on revamping the revenue structure, now we intend to clearly incorporate ESG into our management and focus on transparent disclosure, beginning with the next medium-term management plan. In June 2023, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are preparing to disclose information in line with the TCFD’s recommended framework.

SHIBAURA MACHINE has benefited from its steady reform efforts, as well as from market tailwinds. We recognize, however, that lithium-ion battery separator film production lines may become less important in the long term.

Therefore, we need to retain a sense of urgency, remain committed to transforming our profit structure and culture based on fundamental principles, and sow seeds for the future.

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

August 2023

President
Chief Executive Officer
Chief Operating Officer

Medium-Term Management Plan “Management Reform Plan”

The SHIBAURA MACHINE Group’s business environment is becoming increasingly uncertain due to the effects from 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, and concluding in fiscal 2023. Under the plan, we aim to transform into a highly profitable company. We will conduct management reforms centered on reorganization, invest in growth areas, and implement financial strategies to improve capital efficiency (ROE).

Framework of the “Management Reform Plan”

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 at 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**

Progress toward the Quantitative Targets in the Management Reform Plan

In fiscal 2023, we plan to exceed our quantitative targets under the Management Reform Plan for sales and operating profit, and we will continue to implement various measures to this end.

Performance Forecast for Fiscal 2023

Sales
¥180.0 billion

Operating profit
¥15.0 billion

Operating profit ratio
8.3%

Achieve an Exceed expectations

Quantitative Targets for Fiscal 2023 under the Management Reform Plan

Sales
¥135.0 billion

Operating profit
¥10.8 billion

Operating profit ratio
8.0%

Increase in Sales of Lithium-ion Battery Separator Film Production Lines

The demand for lithium-ion batteries, which power electric vehicles (EVs), 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 manufacture separator film, a component of these batteries, is seeing a significant rise in orders. We expect lithium-ion battery separator film production lines to boost sales substantially in 2023, leading to sales of ¥180.0 billion (up 46% from fiscal 2022), operating profit of ¥15.0 billion (up 160%), and an operating profit ratio of 8.3%.

We are stepping up our plans to cater to expected ongoing growth demand for lithium-ion battery separator film production lines. By fiscal 2024, we are targeting monthly production capacity of six lines, up from the current four.

Target: Production of 6 lines / month

Currently

Production of 4 lines / month*

By fiscal 2024

Production of 6 lines / month*

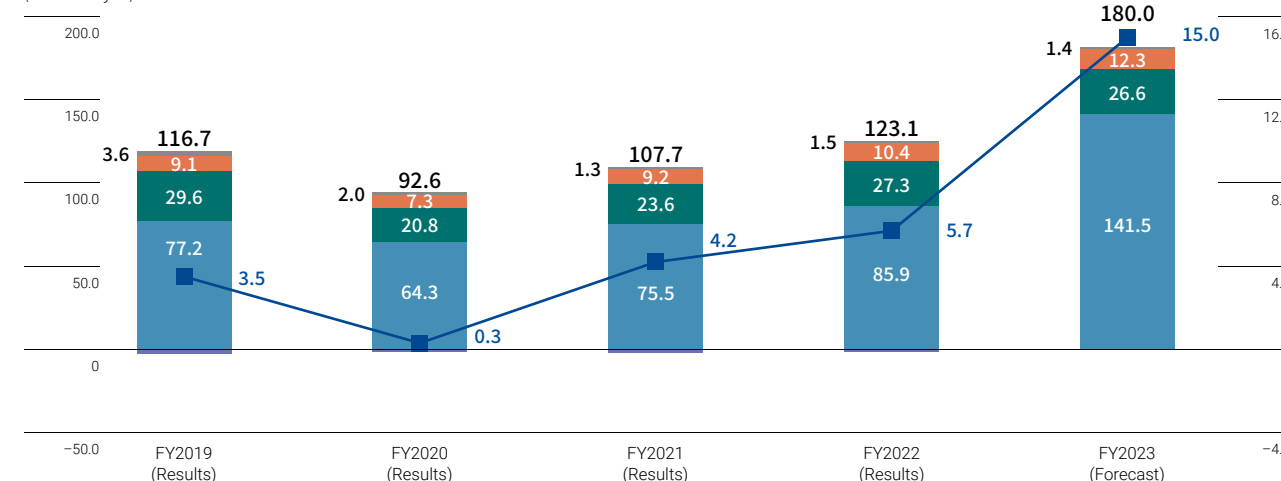
* Full line

Lithium-ion battery separator film production line (total length exceeds 100m)



Operating Performance

(Billions of yen)



Net sales (left axis): ■ Net sales of metal & plastics industrial machines ■ Net sales of machine tools ■ Net sales of control systems ■ Net sales of others ■ Elimination
 ■ Operating profit (right axis)
 Note: The net sales of respective segments include intersegment transactions.

Progress on Management Reform Plan Initiatives

We are engaging in organizational reforms to transform ourselves into a highly profitable company. 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. To increase production of injection molding machines, we are establishing a new plant in India, which is slated to commence operation in the second half of fiscal 2023.

	FY2020		FY2021		FY2022		FY2023	
	First half	Second half	First half	Second half	First half	Second half	First half	Second half
Business restructuring	● Reorganization (establishment of an in-house company system, the R&D Center, and the Production Center)							
			● A two headquarters structure, in Tokyo and Numazu	● Closing an overseas affiliate (UK sales and service company)	● Absorption-type merger of a domestic affiliate (FUJISEIKI CO., LTD.)			
Business management	● Construction and operation of a management accountability system (make business management more visible)							
Technology (DX)	● Operation of a new 3D-CAD system							
Personnel-related	● Introduction of voluntary early retirement	● Introduction of a new HR system (for managers)		● Introduction of a new HR system (for union members)				
Management reform	● Sales activity management system							
Plant reorganization	● Overseas transfer of the production of small injection molding machines (from Japan to China and Thailand)							
	● Integration of manufacturing divisions of injection molding machines and die casting machines (from Numazu to Sagami)							
	● Overseas transfer of the production of SCARA robots (from Japan to China)							
	<div style="display: flex; justify-content: space-between;"> ○ Operation of new Indian Plant ○ Start of logistics facility business </div>							
	Prepare / design / build							

Expansion of Indian Plant

To meet the higher demand expected from India's rapidly growing market, we will establish a new plant within our site 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. (The plant is slated to commence operations in the second half of fiscal 2023.)



Projected path in India (expansion)

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

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

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



Current production capacity of **1,200 units** per year ⇒ Aim to increase to **3,200 units** per year.
(Maximum annual production capacity of **4,000 units**)

Demand to switch 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

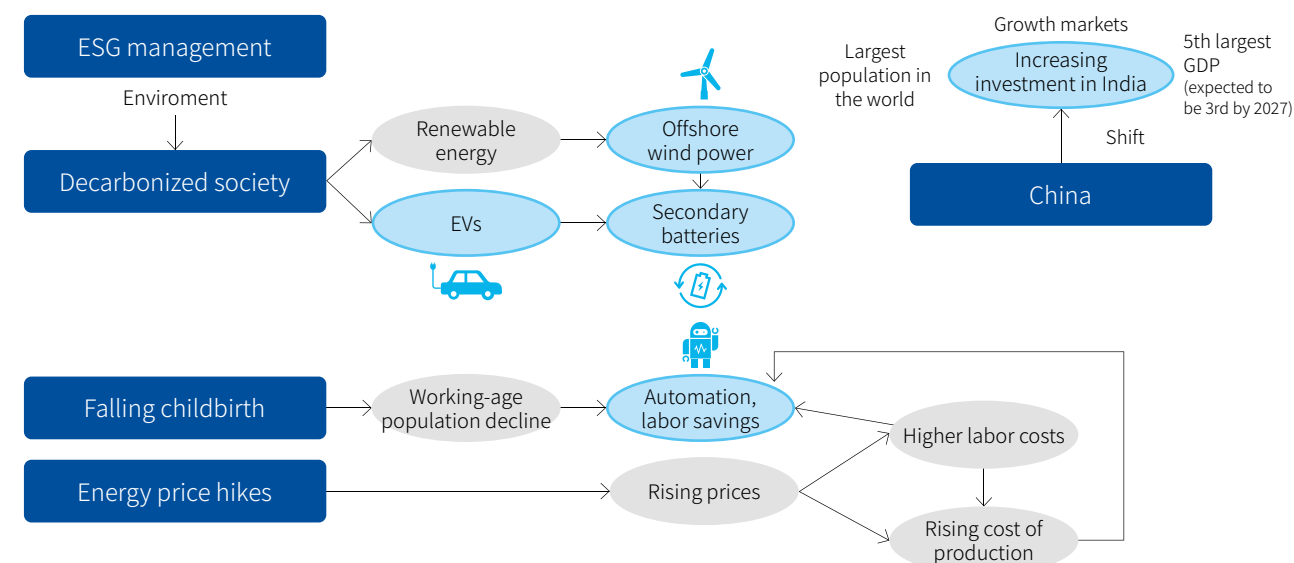
Start production of small electric injection molding machines



Looking Ahead to the Next Medium-Term Management Plan

Contribute to and Expand Business in Areas Affected by Megatrends

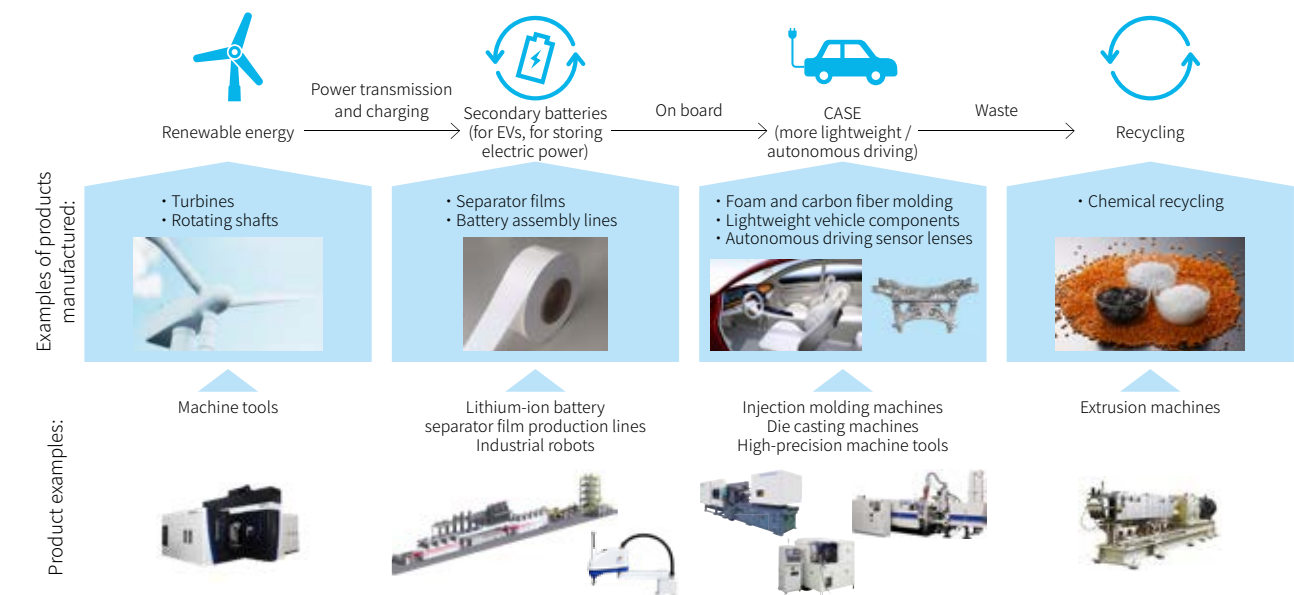
To further expand our business, we will respond to megatrends (climate change and resource scarcity, demographic shifts, and technological advancements) through technological innovation. In the renewable energy sector, as society works to decarbonize, we will focus on expanding our offshore wind power business. In the EV sector, we will strive to enhance our business involving secondary batteries. As Japan's falling birthrate causes the working-age population to shrink, we will actively pursue business expansion in automation and labor-saving technologies, including robotics. Additionally, as global investment shifts from China, we will also prioritize India's growing market.



Contributing to Decarbonization

In the next medium-term management plan, we believe concern for the environment will remain at the core of our business domain. For example, our products contribute in fields such as renewable energy, secondary batteries, lightweight vehicles and autonomous driving, and recycling. We will provide high-value-added products that contribute to a decarbonized society, and, in the process, we aim to expand our business.

Concern for the environment at the core of our business domain



New SHIBAURA MACHINE Long-Term Vision 2030

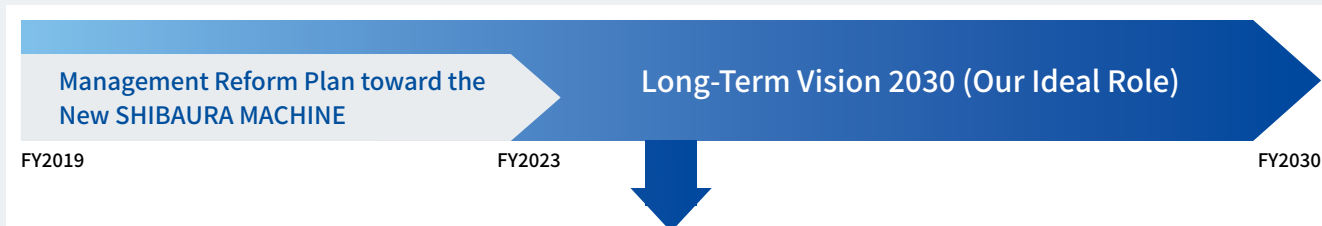
On March 5, 2020, we announced New SHIBAURA MACHINE Long-Term Vision 2030. We formulated this long-term vision to ensure sustained growth beyond fiscal 2023, the final fiscal year of the Management Reform Plan.

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

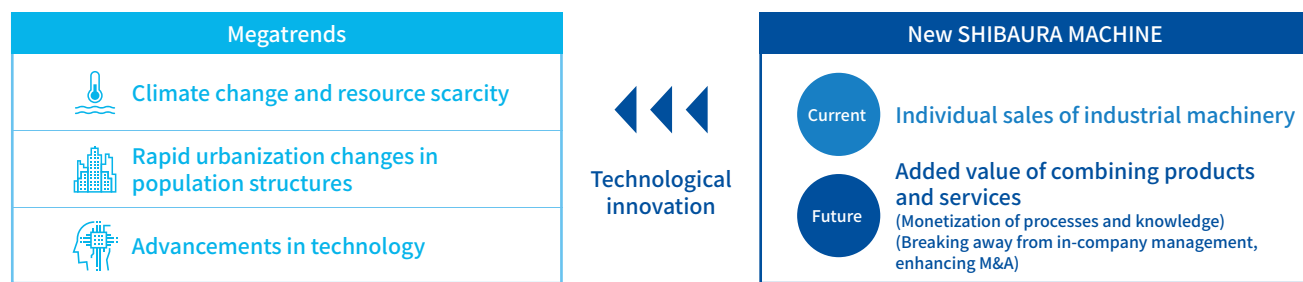
Setting out our ideal role, Long-Term Vision 2030 calls on us to address social issues and enhance corporate value through outstanding technological innovations that help the global manufacturing industry adapt to megatrends. In line with this vision, we believe that our social mission—and the way to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

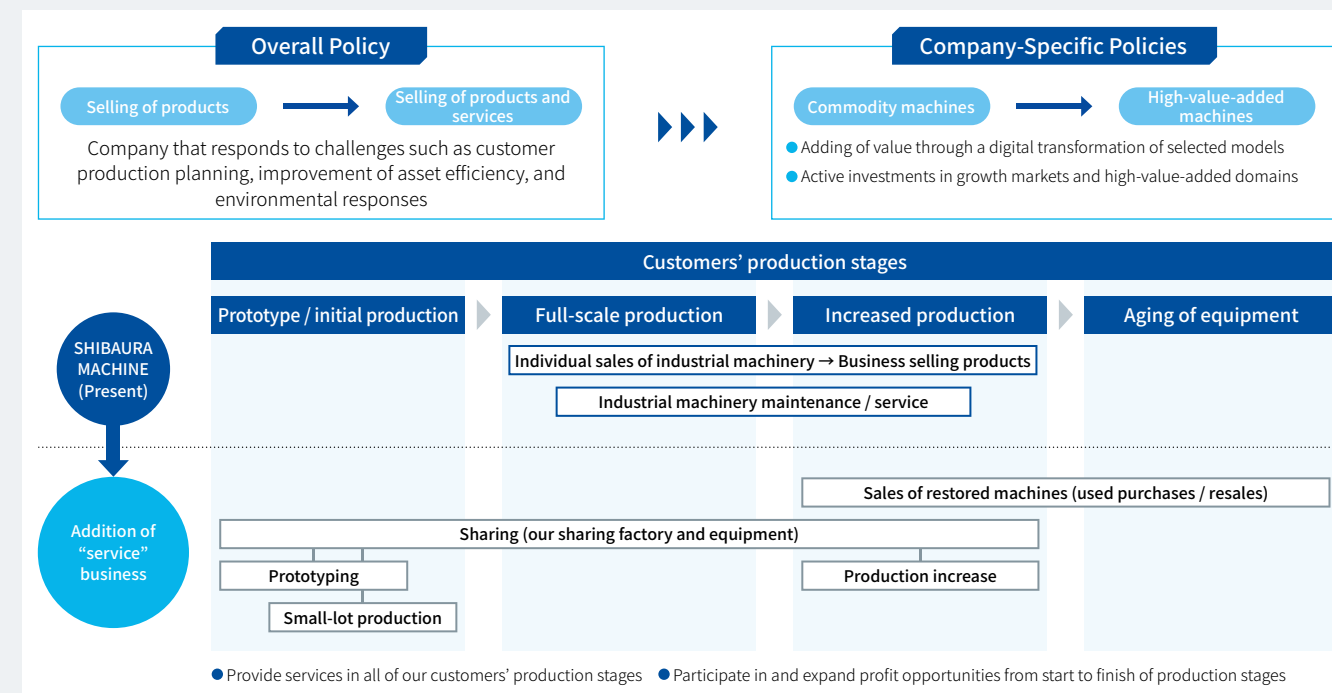


Four Directions of Long-Term Vision 2030

- 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.

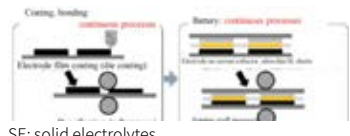






	Basic policy	High-value-added / Market expansion areas		Reduce / Withdraw
		New	Expand / Enhance	
Machine Tools Company	Focus on specific domains by model selection Energy, Aircraft, Optics, Devices	Multifunction machines, Ceramic cutting machines	Large machines, Special, dedicated machines, High-precision 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
Control Systems Company	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
New Business	Specialize in external sales and strengthen engineering solutions Automation, Labor saving	Collaborative robots, AMR*	Robots, Servo motors, controllers	NC, controllers (utilizing of external alliances)
	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)		

* 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 offer a variety of products that can contribute to decarbonization initiatives.





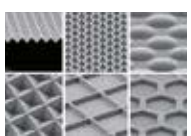

Contributing to reducing greenhouse gases

<p>Power generation and storage</p> <p>High-pressure continuous press machines</p> <p>Enhanced productivity through continuous processes</p>  <p>SE: solid electrolytes</p> <p>Rechargeable batteries</p> <p>All-solid-state batteries</p>  <p>Source: FY2018 NEDO Advanced Battery and Hydrogen Technology Department Results Report Meeting (B1-03) LIBTEC Materials</p>	<p>New materials</p> <p>Reactive extrusion machines</p> <p>Creation of new materials via continuous reaction of naturally occurring raw materials</p>  <p>Biomass</p> <p>Wood plastics</p> 	<p>Resource-saving</p> <p>Injection molding machines and Die casting machines</p> <p>Realization of lightweight and high-strength parts</p>  <p>Weight saving and recycling</p> <p>CFRP parts Aluminum car frames</p>  
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Evolving Our Business Portfolio (Creating New Businesses)

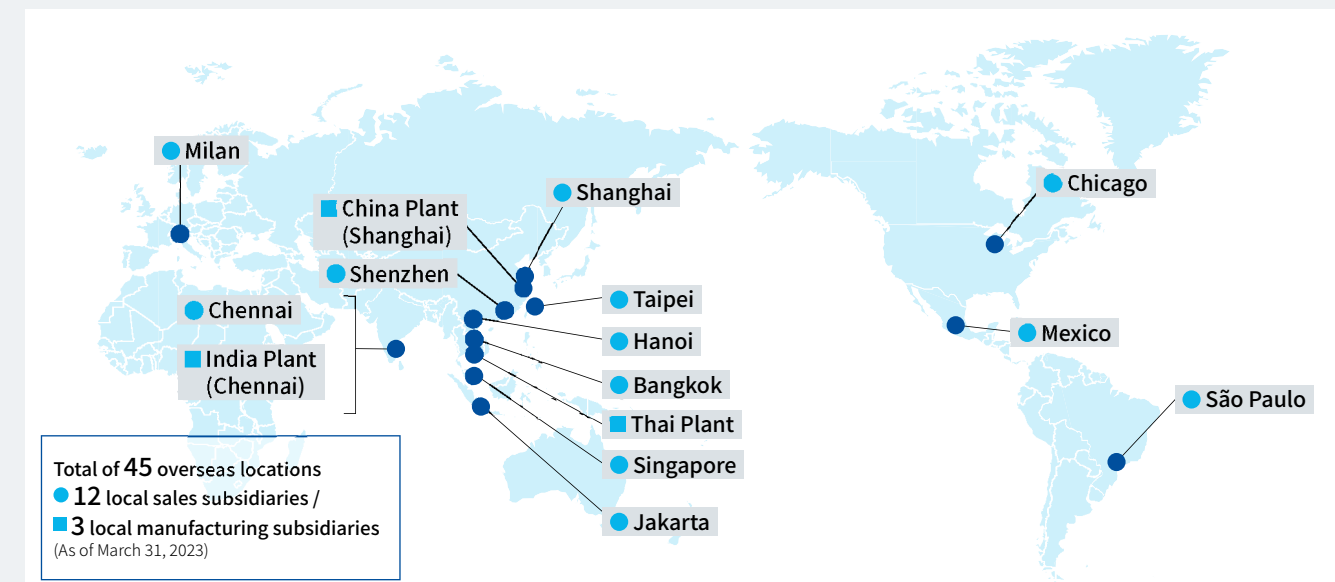
Through the provision of film casting equipment, coating machines, and imprinting equipment that add new functionality through surface structure control, we will enable our customers to generate profits. We will differentiate ourselves by realizing new added value.

Realizing the addition of new functions via surface structure control

<p>Electronic circuits</p> <p>Film casting equipment</p> <p>Function improvement via adding dissimilar materials to surfaces</p>  <p>Next-generation communications</p> <p>Laminated wiring boards</p>  <p>Source: Website of Shin-Asahi Electric Ind. Co., Ltd.</p>	<p>High-performance films and Electronic devices</p> <p>Coating machines</p> <p>Function improvement via coating dissimilar materials to surfaces</p>  <p>Batteries, ceramic capacitors, and optical components</p> <p>High-performance separator films</p>  <p>Separator Anode material Cathode material</p>	<p>Healthcare</p> <p>Imprint equipment</p> <p>Function improvement via adding fine shapes to surfaces</p>  <p>Water purification and sterilization</p> <p>Deep-UV LEDs</p>  <p>Source: JST New Technology Presentation Meetings materials</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

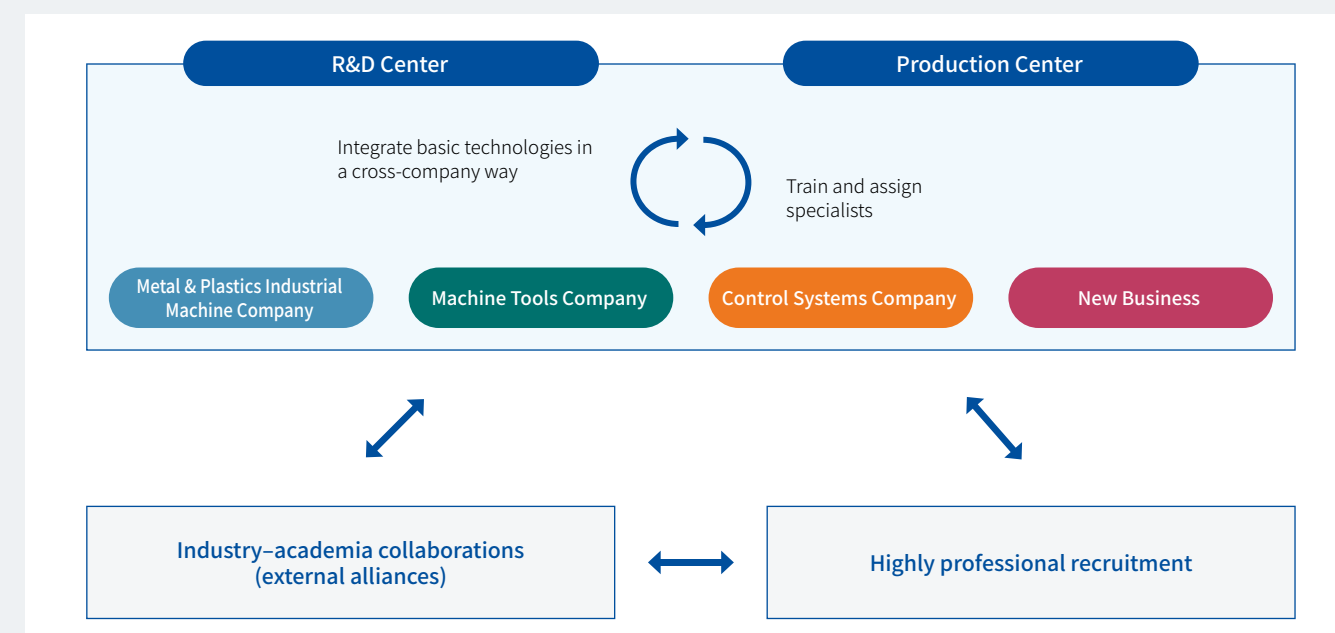
Growing Overseas Sales

At the time of formulation New SHIBAURA MACHINE Long-Term Vision 2030, The SHIBAURA MACHINE Group's 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.



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 also by hiring people who have advanced professional skills.



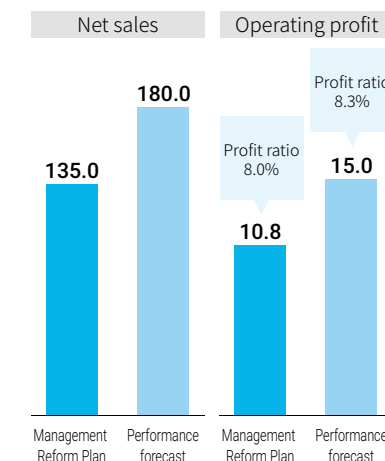
Rather than relying on tailwinds to propel us forward, we will retain our sense of urgency as we pursue reforms and look to the next stage.

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

In fiscal 2023, we expect to exceed the Management Reform Plan's quantitative targets for net sales, operating income, and the operating margin.

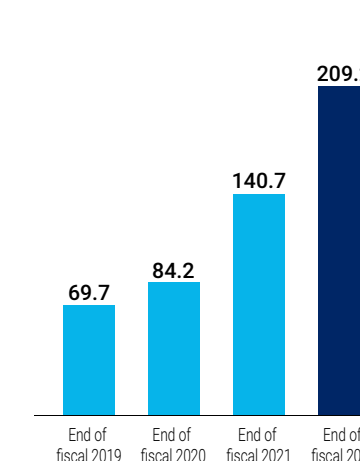
Net Sales / Operating Income (Fiscal 2023)

(Billions of yen)



Orders

(Billions of yen)



In Dedicated Pursuit of Our Goals

In fiscal 2022, the third year of the Management Reform Plan, our medium-term management plan, we benefited from an increase in electric vehicle-related capital investment. As a result, orders for our lithium-ion battery separator film production lines increased in China, and we recognized a portion of these orders as revenue. As for injection molding machines, decarbonization led to an increase in orders for medium-sized and large all-electric injection molding machines in North America. In India, growing consumer demand prompted higher orders for hydraulic injection molding machines. In machine tools, North American demand for large machine tools for energy industries expanded. As a result, net sales rose approximately 14% year on year. Despite the impact of sharply higher material prices, operating income grew around 36%,

buoyed by the higher sales and the impact of yen depreciation.

Our business is highly susceptible to economic fluctuations. Since the start of the Management Reform Plan, rather than using the external environment as an excuse, we have shared with our management team and employees our dedication to achieving the goals we set. Of course, we also have a responsibility to the shareholders and investors who have supported us. From that perspective, I am critical of our results for fiscal 2022. Although sales and profits did rise, we fell short of our upwardly revised performance forecast. The main reason was a delay in sales of extrusion machines, caused by the spread of infections and travel restrictions following the lifting of China's zero-COVID policy. We deeply regret our lack of foresight.

Progress on Improving Profitability and Capital Efficiency

The Management Reform Plan focuses on transforming the profit structure, mainly through reorganization. By fiscal 2023, the plan targets an 8.0% operating margin and ROE of 8.5%.

Originally, we had planned to reduce fixed costs by ¥1.9 billion through voluntary retirement and ¥1.4 billion from lower procurement costs. However, due to difficulties faced in procuring materials since fiscal 2021, we now expect procurement costs to rise by around ¥3.5 billion. That amount, plus the ¥1.0 billion in additional procurement costs we had already anticipated for fiscal 2023, leads us to now expect a ¥4.5 billion increase in procurement costs by fiscal 2023. Procurement costs are therefore likely to be some ¥6.0 billion higher than we had initially planned. To recover from this, we will continue to pursue further productivity improvements and negotiate higher selling prices. For products that have long production lead times, it is difficult for us to ask customers to accept higher selling prices that reflect our higher procurement costs. Large-scale machine tools and lithium-ion battery separator film production equipment are examples of such

products. To combat this situation, we aim to boost profitability through ongoing organizational reforms, such as ensuring our transition to an in-house company system is functioning effectively. We manage the profitability of each in-house company by focusing on operating income and the operating margin. We also prioritize ROA to confirm each in-house company's standalone profitability. As part of this effort, we are also pursuing an efficiency of human capital that is not reflected in the balance sheet. For example, by shifting personnel to extrusion machines that feature lithium-ion battery separator film production lines, we can meet growing demand without increasing the number of employees. This move helps improve the profit structure by lowering fixed costs for machine tools, where profitability remains low.

In a bid to meet our ROE targets, we aim to improve our cash conversion cycle and maximize the utilization of land and other assets. We will also invest in high-profit businesses to bolster the overall efficiency of our assets.

Fiscal 2023 Performance Forecast and Shareholder Returns

Orders on hand as of the end of March 2023 totaled ¥209.2 billion. Of this amount, orders for extrusion machines—mainly lithium-ion battery separator film production lines—accounted for ¥154.4 billion. On this basis, for fiscal 2023 we anticipate net sales of ¥180.0 billion, up 46% year on year; operating income of ¥15.0 billion, up 160%; and an operating margin of 8.3%, up 3.6 percentage points. These figures overshoot the Management Reform Plan's quantitative targets for net sales, operating income, and the operating margin.

We expect net income to grow ¥11.6 billion year on year, to ¥18.0 billion, and we plan to increase our dividend per share from ¥107.5 in fiscal 2022 to ¥140.0 in fiscal 2023. At net income of ¥18.0 billion, this would put our dividend payout ratio at 18.8%, which is below the 40% target in the Management Reform Plan. However, this net income includes gains from an equivalent exchange of land related to the establishment of the Sagami Logistic Center, and these gains will all be

allocated toward the acquisition of equity in the Sagami Logistic Center building. Accordingly, we will base the dividend amount for fiscal 2023 on a profit distribution benchmark of ¥10.0 billion, after deducting the proceeds from the sale. Additionally, to focus on total shareholder return, we will consider the proactive acquisition of treasury stock as needed.

We will continue to allocate cash on hand to strategic investments, including manufacturing equipment, technology development, and human capital. In fiscal 2023, we plan capital investment of ¥6.4 billion, including investment in the new India Plant (but excluding the acquisition of the Sagami Logistic Center mentioned earlier). However, we have not yet completed any M&A transactions. We are committed to only conducting acquisitions that align with our strategic objectives, meet reasonable valuations based on hurdle rates, and demonstrate a clear path to sustainable business growth, including PMI, after the acquisition.

Upholding Our Sense of Urgency

The current economic situation is growing more uncertain, and as our overseas sales ratio rises, we must be ever more vigilant about geopolitical risks. However, from a medium- to long-term perspective, we see various opportunities amid the significant changes in the industrial structure. As an example, the automotive industry is trending toward electric vehicles, and our technologies can meet industry needs to produce batteries and make vehicle bodies lighter weight.

In this context, our frank assessment is that demand for lithium-ion battery separator film production lines, which we had expected to be a driving force, is expanding beyond the assumptions we first made when formulating the Management

Reform Plan. However, we need to do more than just attribute success in this area to favorable market conditions. Rather, we must ensure we complete our unfinished tasks. Profitability in some businesses has not improved sufficiently, and our overall reform of the business flow, starting from sales-oriented efforts that require a change in mindset, is still a work in progress. As we continue to tackle challenges, we must retain our sense of urgency and strive to connect our initiatives to the next medium-term management plan.

In these endeavors, we would like to ask our shareholders, investors, and all our other stakeholders for their continued guidance and encouragement.

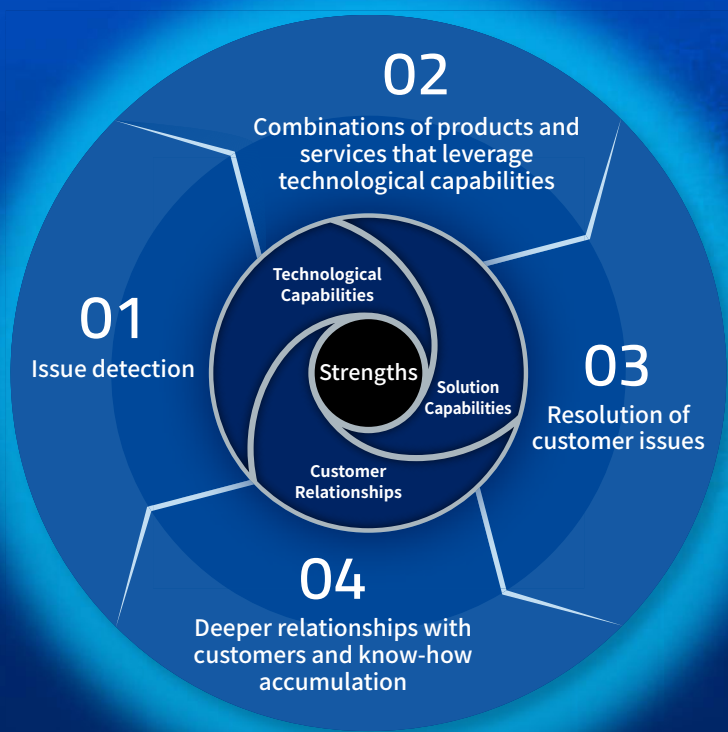
SHIBAURA MACHINE's Value Creation

Specific Initiatives in the Value Creation Process (1)

SHIBAURA MACHINE views its mission as supporting the development of key industries and contributing to future society. We have developed and manufactured various products to meet the changing needs of each era.

The Company strives to anticipate the challenges customers will face and works to resolve those issues through its combinations of products and services that leverage technological capabilities. The trust we gain with this approach leads to a cycle of further issue detection, contributing to the resolution of social issues.

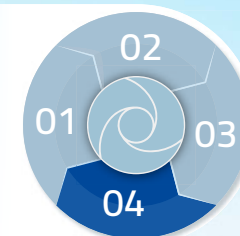
In this section, we look at specific initiatives in the value creation process, focusing on lithium-ion battery separator film production lines. These lines comprise extrusion machines, which are a key product of our Metal & Plastics Industrial Machine Company. Orders for these lines are growing substantially, owing to rising demand for electric vehicles (EVs) as part of the trend toward decarbonization.



Contributing to the development of key industries
SHIBAURA MACHINE VALUE-UP CYCLE

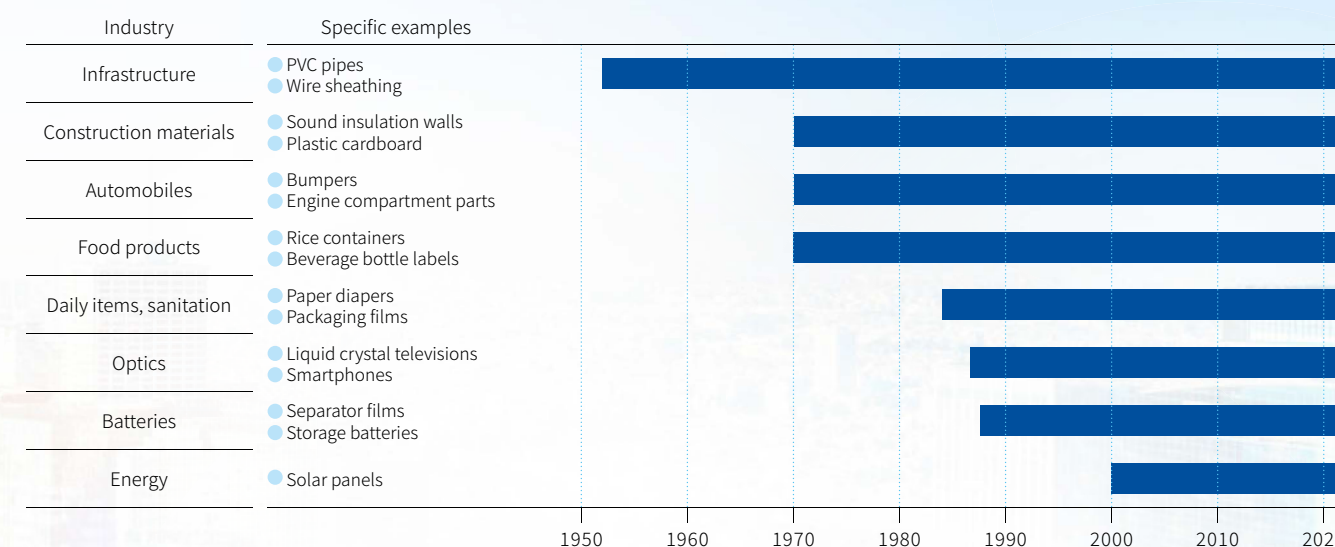
For details on the value creation process, please see [P.12-13](#)

Deeper Relationships with Customers and Know-How Accumulation

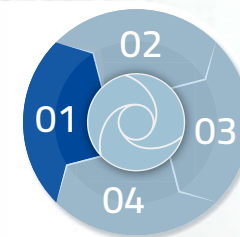


The Company entered the extrusion machine business in 1952 with the completion of its first plastic extrusion machine, used to coat wires with nylon. Amid the infrastructure boom supported by Japan's period of high economic growth, we developed and provided molding equipment for the PVC pipes used to distribute water. To meet expanding market demand as living standards rose, we provided equipment for molding plastic food packaging containers and construction materials. The 1990s saw the widespread adoption of LCD TVs and mobile devices, which required plastic components for high-precision optics. In recent years, we have developed and provided equipment for molding specialized plastic sheets and films, which are crucial components in solar panels and lithium-ion batteries. In the process, we have strengthened our long-standing customer relationships with various industries and accumulated expertise that contributes to the creation of new value.

Length of time dealing with customers (extrusion machine business field)



Issue Detection



When lithium-ion batteries were first commercialized, Japan stood at the forefront of lithium-ion battery manufacturing. Building on its accumulated expertise in precision film molding for optical applications and other areas, the Company was able to anticipate customer issues and respond to their needs. As a result, for the past 30 years, we have been developing production lines for separator films, which are a key component of lithium-ion batteries. Initially, we provided customers with the individual pieces of equipment that make up separator film production lines. However, as lithium-ion battery manufacturing expanded worldwide, we recognized the need to offer full separator film production lines as a turnkey business that could get manufacturers up and operating swiftly. Since then, we have been accumulating technologies related to full lines. Our full-line turnkey business aligns with the needs of film manufacturers, including new market entrants, and has led to annual orders of nearly ¥100.0 billion.

Combinations of Products and Services That Leverage Technological Capabilities

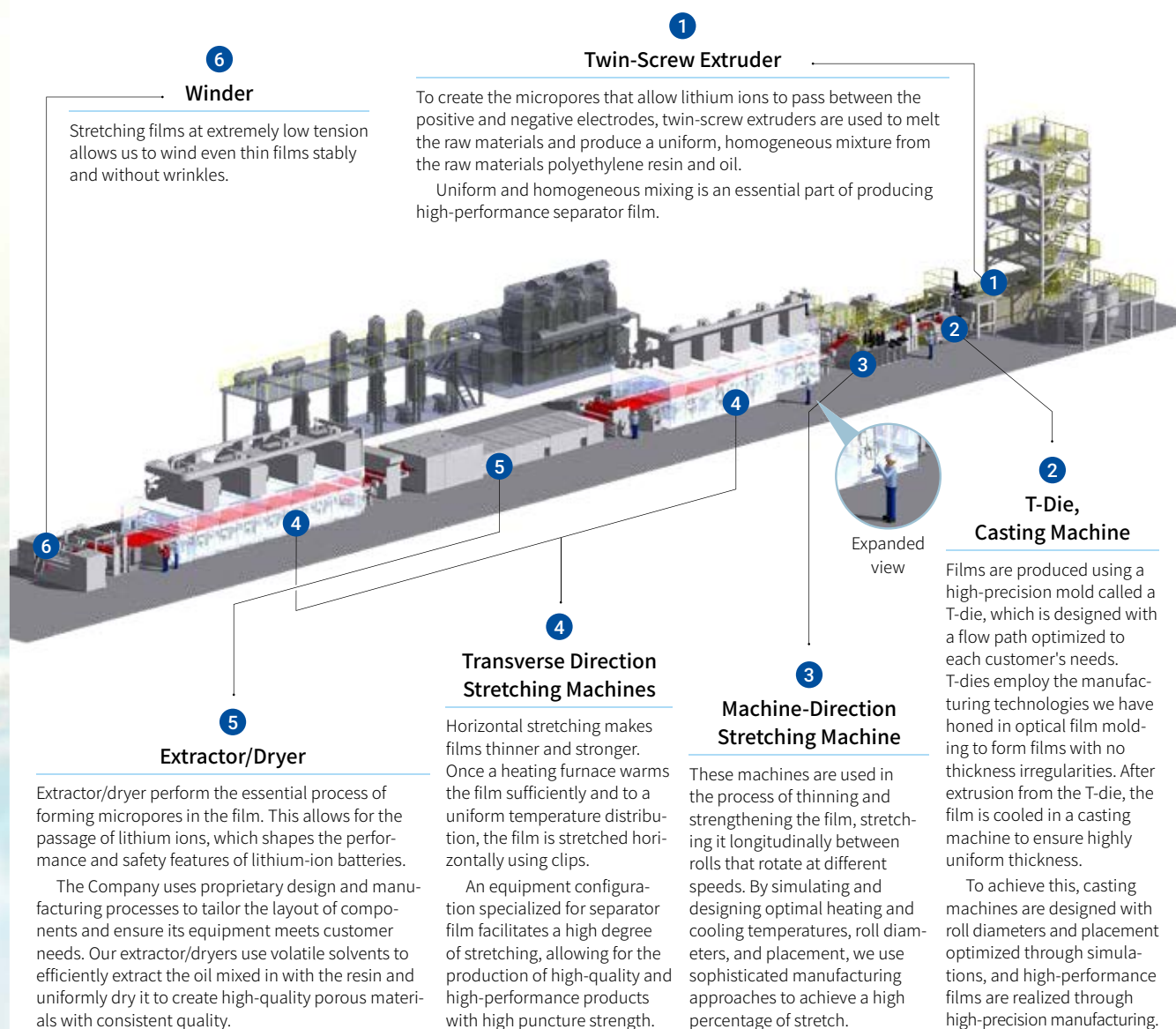


Separator films are an essential component of lithium-ion batteries, as they insulate the positive and negative electrodes and ensure ion permeability. In addition, they provide a shutdown function that blocks the flow of ions between the electrodes and safely stops the battery from functioning in the event of an abnormality. To ensure a battery's durability, separator films require high strength, including puncture resistance.

Given that separator films have a significant impact on battery performance, it is important for films themselves to be highly uniform and homogeneous. This requires having advanced technology in the manufacturing equipment used for separator film production.

Lithium-ion battery separator film production lines consist of a collection of equipment with various functions, from extrusion machines to winders. Advanced technical expertise is required for each device in the separator film production process.

Lithium-ion Battery Separator Film Production Lines (More Than 100m Long)



SHIBAURA MACHINE's Strengths (1)

The Ability to Provide Full Lines

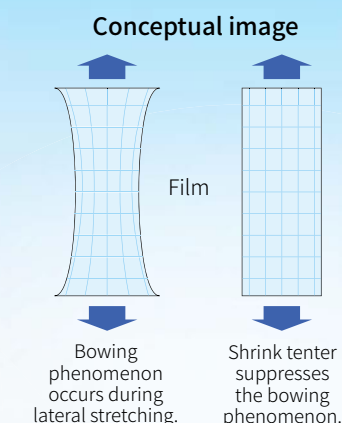
Separator film production lines consist of equipment with multiple functions, each of which requires a high degree of technological expertise. The specifications and functions that facilitate interplay between equipment are also crucial. The Company has an advantage here because it designs and manufactures all of these devices, including those used in extraction and drying—the most vital process in the production of separator films. This enables the optimization of specifications and functions among devices. As a result, among major equipment manufacturers, we are the only company that can provide full separator film production lines.

SHIBAURA MACHINE's Strengths (2)

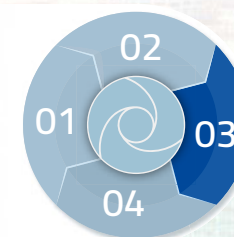
Shrink Tenter (Vertically Relaxed Horizontally Stretching Machines) for High-Quality Film Stretching

Another unique strength lies in the Company's "shrink tenter." These machines produce high-quality stretched film by allowing for further relaxation in the vertical direction when films are stretched horizontally.

When stretching film in the horizontal direction, a phenomenon called the "bowing effect" occurs, causing the film to bow in the vertical direction. Replacing the horizontal stretching machine with shrink tenter helps suppress the bowing effect, controlling thermal shrinkage in both the vertical and the horizontal directions. This allows for the production of high-quality films suitable for various battery structures, such as laminated batteries for automotive applications, which are experiencing expanding demand.



Resolution of Customer Issues



The Company combines its technical expertise in various areas to help resolve customer and social issues.

Resolution of Customer Issues

The widespread adoption of EVs requires high-quality lithium-ion batteries that enable improved driving range and safety. One crucial component of these batteries is their separator film, which needs to be extremely thin and produced in large quantities. The Company leverages its expertise in diverse fields to address this challenge by offering customers full lithium-ion battery separator film production lines that can quickly be brought online.

Resolution of Social Issues

The mass production of lithium-ion batteries has contributed to the widespread adoption of EVs, as well as consumer electronic devices such as smartphones, notebook PCs, and tablets. These batteries also play a role in providing a stable power supply through the storage of renewable energy. By enriching people's lives and contributing to the reduction of CO₂ emissions, we are helping to resolve social issues.

Specific Initiatives in the Value Creation Process (2)

Here, we introduce other examples of specific initiatives in the value creation process

High-Precision Technologies Creating a Safe Society

The Company has engaged in R&D focused on high-precision machining since 1977. We have aimed to differentiate ourselves and add value by increasing the precision of machine tools. The cameras used for advanced safety devices and autonomous driving in automobiles are products that could not have been imagined when we first began, more than 50 years ago. However, our ultra-precise machining methods have enabled us to produce such high-precision, high-efficiency optical components. We have done so by anticipating and then addressing the challenges our customers face, embracing their visions for the future, and conducting research in collaboration with domestic and international research institutions.

We help to protect people's lives through the widespread adoption of advanced safety devices in automobiles and create a society that is easy to live in thanks to the automated driving of automobiles.

01 Issue detection

More precise optical components



02 Combinations of products and services that leverage technological capabilities

Higher-resolution, higher-efficiency machining of optical components



High-precision machine tools

03 Resolution of customer issues

Protect human life
Create an amenable living environment



A Safe and Comfortable Society Made Possible by Collaborative Robots That Work Together with People

The Company has been conducting research on industrial robots that work in place of humans, helping to secure a workforce in a society where the working-age population is shrinking and promoting a more enriching and creative way of working and living. Based on the concept of "thinking and working together," we have developed intelligent, collaborative robots that help keep humans away from danger, shift human activities toward more creative endeavors, and provide system engineering solutions utilizing robots in customers' manufacturing processes and in-factory logistics. Our goal is to realize new ways of working and living. By developing technology that helps humans and robots to coexist, we contribute to the realization of a safer and more livable society.

01 Issue detection

Workforce needed to replace people



02 Combinations of products and services that leverage technological capabilities

Robots that not only replace people, but also think and work with them



Dual-arm collaborative robots

03 Resolution of customer issues

Realization of a society in which it is easy to live and work in new ways



Helping to Realize a Decarbonized Society with Molding Technologies and Recycling

Even before the concept of a decarbonized society began attracting attention, the Company was engaging in collaborative research with customers and research institutions, in Japan and overseas, in the interests of conserving resources and saving energy.

By using foam molding technologies in injection molding machines, we have reduced weight, increased strength, and decreased resource use in automotive components such as door trim by creating micro-bubbles inside molded plastic products. Furthermore, through super high-speed injection molding technologies in die casting machines, we have decreased weight and reduced resource use in automotive subframes, making them thinner and stronger. We have also developed recycling technologies, which help reduce CO₂ emissions throughout the cycle of automobile manufacture, usage, and disposal.

01 Issue detection

Lighter and stronger automotive components



02 Combinations of products and services that leverage technological capabilities

Reduced weight and enhanced strength of automotive interior and exterior parts and decreased use of resources



Injection molding machines (foam molding technologies) Die casting machines (super high-speed injection)

03 Resolution of customer issues

Curtailed CO₂ emissions



Machine Tools Helping to Realize Highly Efficient Power Generation and a Decarbonized Society

The Company works to make machine tools more precise and efficient, aiming to improve the efficiency of turbines used in all types of power generation, creating new techniques, and meeting the customers' expectations.

We have developed highly efficient ultra-large machine tools with a composite structure that minimizes setup changes when machining parts for large turbines. Additionally, we have achieved high-precision machining of complex shapes through attachments and methods that simplify the machining process. This has allowed us to maximize power generation efficiency and contribute to the reduction of CO₂ emissions. Furthermore, we are facilitating the widespread adoption of new power generation technologies using small-scale nuclear, hydrogen, and ammonia fuels in response to recent energy security issues, and in the aim of realizing a decarbonized society.

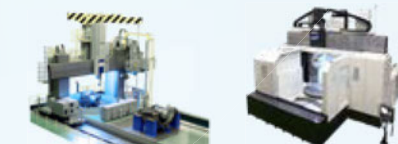
01 Issue detection

Larger and more complexly shaped components for power generation



02 Combinations of products and services that leverage technological capabilities

Machining of large parts with high precision, high efficiency, and complex geometries



Ultra-large machine tools

Double column type machining centers

03 Resolution of customer issues

Diffusion of new power generation technologies and the realization of a decarbonized society



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.

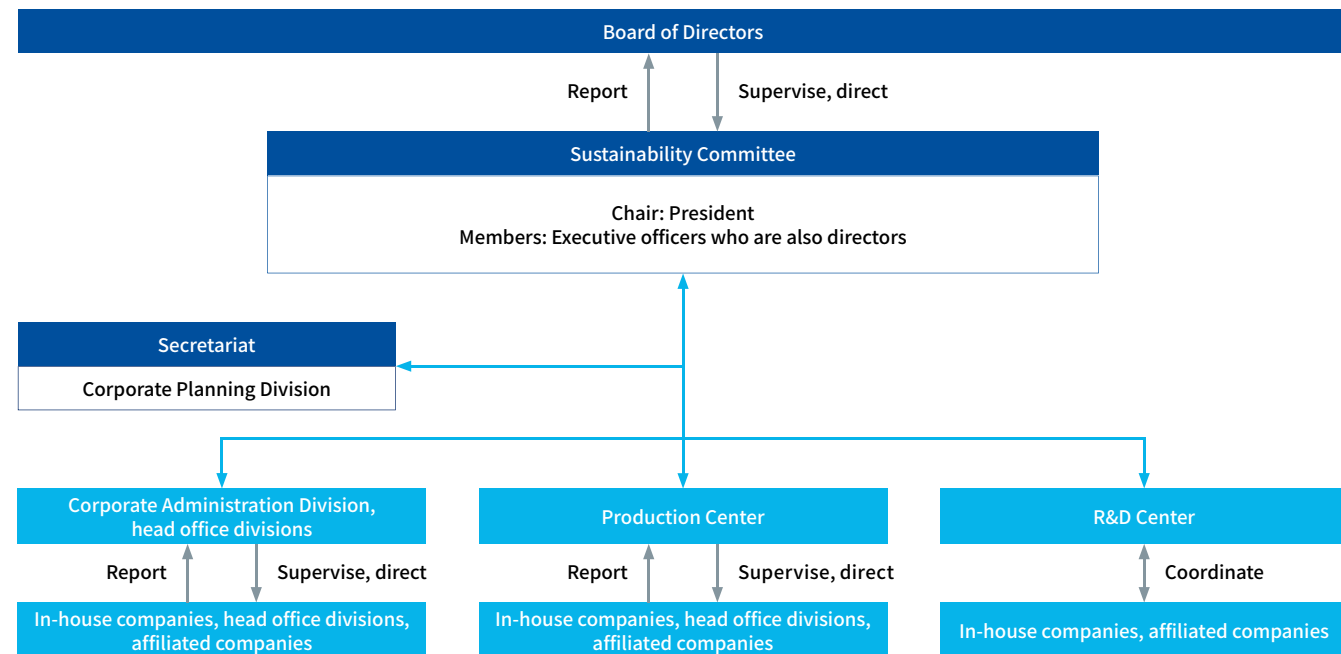
To leave a rich global environment for future generations and contribute to the sustainable development of society, we will make sustainability considerations the drivers of business management and continue to take into account the viewpoints of all our stakeholders around the world, including customers,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

③ 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.

③ 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.

③ Themes of Sustainability Management Initiatives

Item	Themes	Initiatives for Major Action Plans in FY2022	Major Action Plans in FY2023	
S	Customers	<ul style="list-style-type: none"> • Engineering • Quality and safety • Services 	Issued <i>SHIBAURA MACHINE Engineering Review</i> (vol. 29), featuring initiatives concerning energy and the environment, in January Set up a VR room and verified a virtual design review	Publish technical bulletins to provide customers with information on technology and new products In addition to virtual design reviews, create an environment to simulate current demonstration status Launch injection molding machine subscription service (United States)
		Suppliers and business partners	<ul style="list-style-type: none"> • Procurement from business partners who are promoting environmental preservation activities • Prevention of transactions with antisocial forces 	Continued three "milk run" routes covering 31 suppliers in total Promoted electronic data interchange system registration (44 companies newly registered) When concluding contracts, concluded memoranda of understanding on the prevention of transactions with antisocial forces (20 companies)
	Shareholders and investors		<ul style="list-style-type: none"> • Enhancing investor relations and stakeholder relations activities • Having more dialogues with institutional investors 	Conducted dialogues with domestic and overseas securities analysts and institutional investors (191 times) Participated in an investor relations conference Held plant tours themed on lithium-ion battery separator film production lines, hosted small meetings Issued <i>Integrated Report 2022</i>
		Employees	<ul style="list-style-type: none"> • Human resource development • Diversity • Safety and health 	Fostered personnel who can think and act independently Conducted training for junior employees and performed follow-up training Introduced external e-learning as a reskilling option 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
	Local communities		<ul style="list-style-type: none"> • Contributions to local communities • Support for technical education • Coexistence with local communities 	Held lectures on advanced manufacturing engineering (15 times) Volunteered for environmental beautification activities, conducted beautification activities around plants, conducted blood drives Participated in TABLE FOR TWO activities Participated in activities held by external environmental organizations (17 organizations)
		E	Environment	<ul style="list-style-type: none"> • Strengthening the environmental management system • Reducing environmental load • Addressing climate change • Pollution control
G	Governance	<ul style="list-style-type: none"> • Further strengthening of the Group's governance • Rigorous management of risk and compliance 	Implemented an evaluation on the effectiveness of the Board of Directors Educated all employees on the SHIBAURA MACHINE Group Code of Conduct Established an attorney's office as an external contact to serve as an independent third party for the in-house whistle-blowing system Provided all employees with compliance training on procurement law, anti-bribery, and whistleblower protection systems	Implement an evaluation on the effectiveness of the Board of Directors Implement measures to ensure awareness of the SHIBAURA MACHINE Group Code of Conduct Provide various sorts of training 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

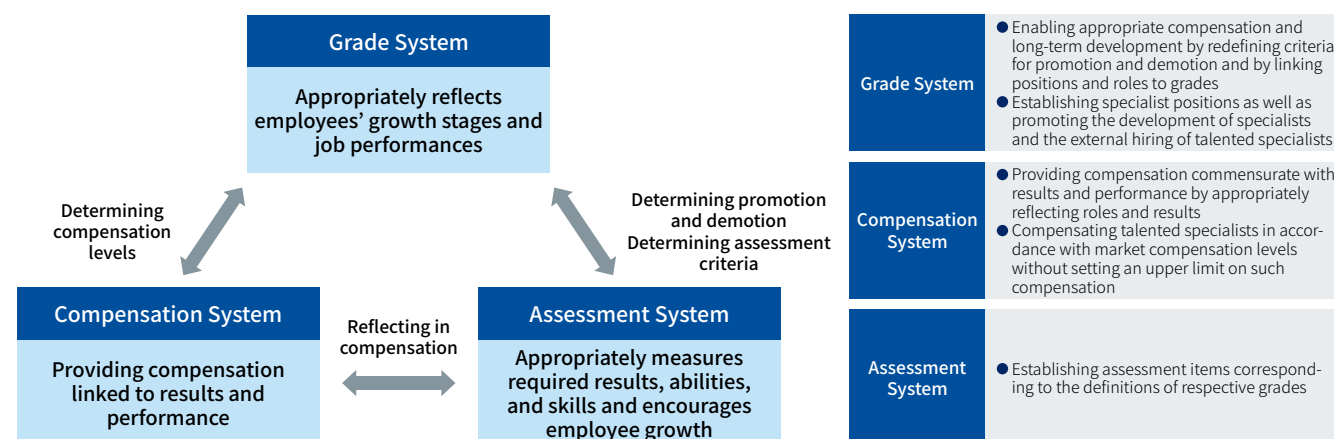
Our human resource systems reflect the history, culture, laws, and regulations of each country and region, and the differences between these systems must be properly understood and recognized.

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, nationality, mental or physical disability, age, or sexual orientation or gender identity shall not be permitted. Acts of violence or 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

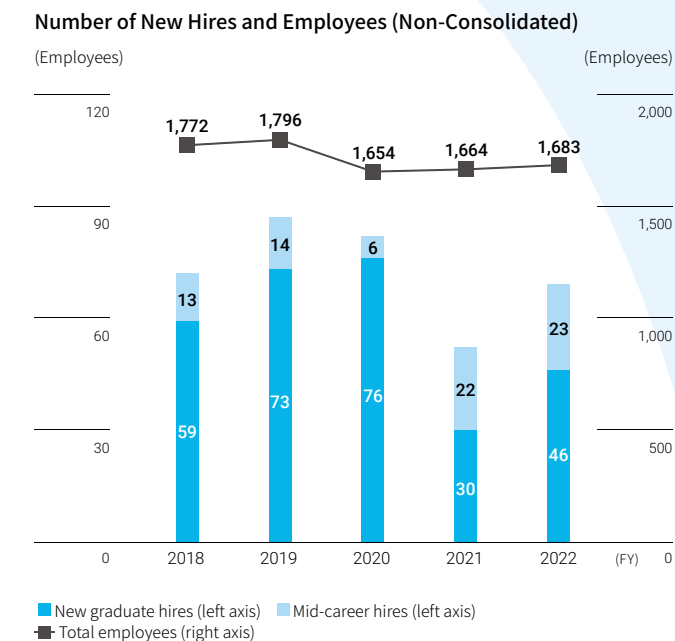
Aiming to realize Long-Term Vision 2030, we have introduced a human resource system that enables diversified employee compensation and career development as well as the utilization of diverse expert personnel.



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.



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

Strengthening of core technologies	Acquisition of control software engineers
Acquiring 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.

Educating Global Human Resources

We have two programs aimed at cultivating human resources capable of thriving in the global market: Global Production Engineer Education and Global Human Resources Development Education. One of the educational objectives is to foster connections across organizations and create horizontal relationships among participants undergoing training at the same time.

Basic Policy on Respect for Human

Basic Policy on Respect for Human

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 or 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.

Diversity and Inclusion Initiatives

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

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, since fiscal 2019, can be used for short-term family care purposes.

Fiscal year	2018	2019	2020	2021	2022
Persons who took childcare leave (male employees in parentheses)	9 (2)	9 (5)	10 (7)	18 (14)	25 (21)
Percentage of those returning from childcare leave	100%	100%	100%	100%	100%
Persons who took family care leave	0	1	0	0	0
Persons who used the short working hour program (for childcare)	10	9	3	6	10
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 2022, the average length of service of employees was 19.4 years (19.3 years for men and 20.6 years for women),* a testament to the long periods of service that characterize the Company.

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

Fiscal year	2018	2019	2020	2021	2022
Resignees (female employees in parentheses)	43 (7)	30 (6)	19 (1)	54 (8)	54 (9)

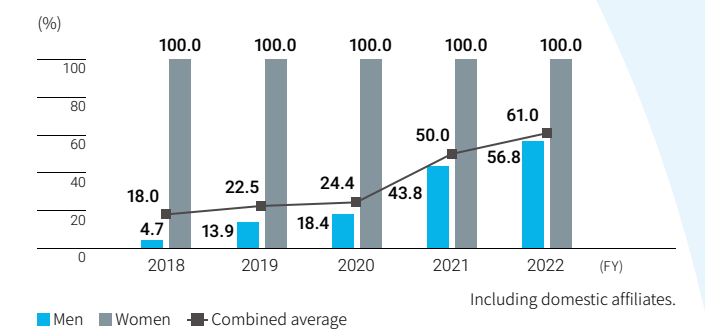
The data includes domestic affiliates.

Work-Life Balance

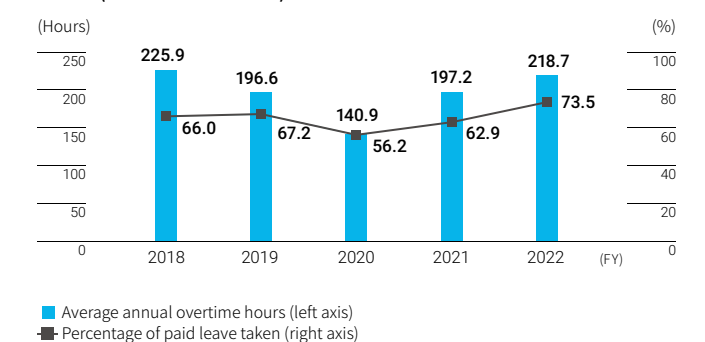
The SHIBAURA MACHINE Group carries out various initiatives to create working environments in which all employees can take pride in their work.

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-enlightenment, 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 Numazu Plant is located, the Company has registered both a declaration endorsing gender equality (throughout Shizuoka Prefecture) and as a promoter of gender equality (in Numazu City).

Percentage of Childcare Leave Taken



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.

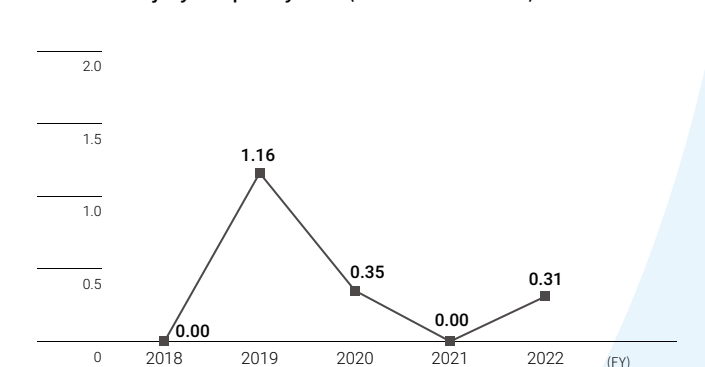
Promoting Occupational Safety and Health Management Systems

Recognizing that health and safety are integral to corporate activities, based on a commitment to preventing industrial accidents and the spread of infectious diseases, and to promote employee health, we have acquired JISHA OSHMS* certification for our plants.

The OSHMS techniques are also applied at all Group companies to improve their health and safety management.

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

Lost Time Injury Frequency Rate (Non-Consolidated)



Intellectual Property

Basic Approach

The SHIBAURA MACHINE Group's corporate principles state that "We will contribute to maximizing value for our customers around the world." Under this management philosophy, we aim to achieve "the resolution of social issues and the enhancement of sustainable corporate value" by addressing customer issues. Our intellectual property strategy is one of the foundations of this aim. The R&D Center, responsible for our intellectual property strategy, works closely with the Research and Development Division and each in-house company to create, protect, and strategically utilize intellectual property.

Intellectual Property Management System

Our Research and Development Division's Intellectual Property Department manages intellectual property across the SHIBAURA MACHINE Group.

We have dedicated Intellectual Property Department personnel assigned to each Product Development Department, where they provide support in researching, creating, acquiring, formulating, and maintaining intellectual property rights.

In addition, Intellectual Property Department personnel participate in the important meetings of each Product Development Department to develop and support intellectual property strategies based on technology strategies.

Intellectual Property Management System Structure

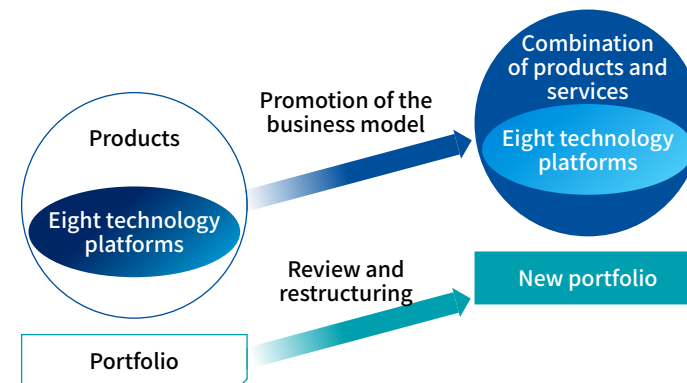


Strengthening Intellectual Property Capabilities

Based on the "Eight Technology Platforms" described on P.10-11, the Company engages in the development and manufacture of advanced industrial equipment across a wide range of sectors. By evolving our business model to combine products and services, we sustain our strengths and continue to hone our expertise.

We protect the proprietary technologies generated from these efforts as intellectual property rights, and we have amassed a robust portfolio. We also ensure proper management of these intellectual property rights and continuously strive to strengthen our intellectual property capabilities through periodic reviews and by reconfiguring the portfolio in line with technological advancements.

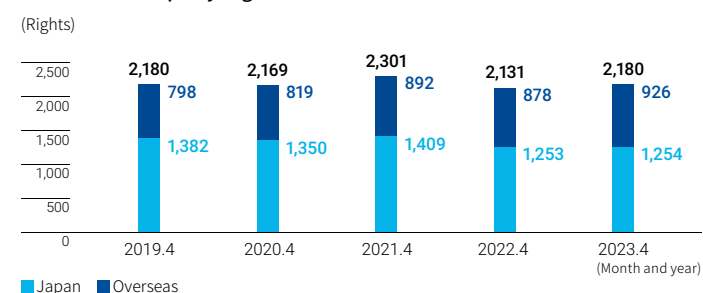
Strengthening Intellectual Property Capabilities



Protection and Utilization of Intellectual Property

During product development, we confirm other companies' intellectual property rights, such as patents. When conducting external lectures or submitting articles to industry magazines, we ensure the use of third-party copyrights, among other activities. Furthermore, we actively protect intellectual property generated through research and development with patents and actively utilize them in our own products. As of April 1, 2023, we hold 2,180 patents, trademarks, and other intellectual property rights in Japan and internationally.

Intellectual Property Rights Held



Supply Chain Management

The SHIBAURA MACHINE Group's Procurement Department is committed to promoting three major aspects of CSR procurement: environmental preservation, procurement standards, and compliance.

The SHIBAURA MACHINE Group's Material Procurement Policy

SHIBAURA MACHINE Group's Basic Principles

1. We comply with laws and ordinances and conform to social norms.
2. We offer both current and prospective suppliers ("suppliers") equal opportunities for business.
3. We engage in socially responsible procurement in cooperation with our suppliers.
4. We ensure our procurement activity with our suppliers is based upon mutual understanding and trust.

Green Procurement

The SHIBAURA MACHINE Group is committed to promoting green procurement, which involves sourcing environmentally friendly products, components, materials, and raw materials, with the aim of passing on a healthy environment to the next generation.

On the environmental front, we have established the Green Procurement Guidelines and set evaluation and

judgment criteria related to the SHIBAURA MACHINE Group's policies and procurement. We revised the Green Procurement Guidelines in April 2020, reviewing and adding to the list of environment-related substances, and we conduct procurement activities that consider the latest environmental concerns throughout the entire supply chain.

Compliance

We have set down the basics of our purchasing activities in the Purchasing Management Regulations, and we educate all Group company employees on how to comply with these regulations.

- Our main initiatives are as follows.
- Conduct compliance education (five times in fiscal 2022)
 - Hold internal audits on procurement (eight times in fiscal 2022)
 - Participate in external workshops (including online workshops)

We offer training on essential aspects of the Subcontract Act, centering on people who are involved within procurement. We provide guidance on improvements and measures for achieving CSR procurement in accordance with social rules and without any irregularities. We also conduct risk management training as part of our Company-wide risk management efforts.

Global Procurement

We have established a global procurement network to centralize procurement information from our overseas production sites and identify the most suitable items for procurement in terms of delivery timing, quality, and price. We

aim to reduce costs by implementing a local sourcing system in the East Asian and Southeast Asian markets, and by utilizing an optimal procurement network.

Initiatives for Reducing Human Rights Risks

In line with its Policy for Responsible Mineral Procurement, the SHIBAURA MACHINE Group is committed to fulfilling its corporate social responsibility by actively working to avoid the use of conflict minerals, which have been identified as providing funds for armed groups involved in human rights abuses, such as human trafficking, forced labor, child labor,

and environmental destruction, in the Democratic Republic of Congo and its neighboring countries where minerals such as tin, tantalum, tungsten, and gold are mined.

If we confirm a possibility that conflict minerals are being used, we ask suppliers to disclose relevant information and cooperate in efforts to stop such usage.

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.

SHIBAURA MACHINE Group's Environmental Policy

Basic Policy

1. 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).
2. We comply with all applicable international, regional, and national standards, laws, regulations, agreements, industry guidelines, and Company rules related to the environment.
3. We contribute to society by developing and offering excellent environmentally conscious products.
4. 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 2022.

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

Initiatives (Indicators)	FY2022 Achievements	FY2023 Targets	Long-Term Objectives to be Achieved by FY2030
Global warming prevention Reduction in CO ₂ emissions intensity (t/hundred million yen)	1.88 (-32%)	1.82 (-34%)	1.38 (-50%)
Making productive use of resources Reduction in waste emissions (t/hundred million yen)	0.231 (-33%)	0.229 (-33%)	0.120 (-65%)
Chemical substances management Reduction in chemical emissions (kg/hundred million yen)	4.33 (-44%)	4.35 (-44%)	4.00 (-48%)
Green management			
Biodiversity conservation (ecosystem network)	Participation in Mount Fuji environmental conservation activities	Participated in Mount Fuji environmental conservation activities	Participate in Mount Fuji environmental conservation activities
Renewable energy (utilization of solar power and untapped energy)	Generated 0.1% of electricity consumed	Generate 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	Analyze environmental impacts	Strengthen management and promote reduction of environmental burden

Initiatives Aimed at Achieving the Environmental Action Plan

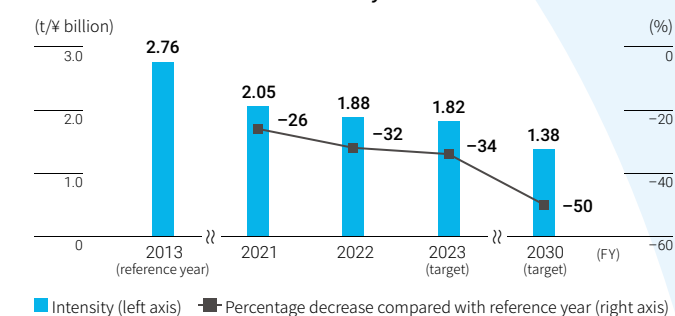
Prevention of Climate Change

In fiscal 2022, CO₂ emissions intensity was 188 tons of CO₂ emissions per ¥1.0 billion, a 32% reduction compared with that of fiscal 2013.

In fiscal 2022, we reduced operating hours by changing the temperature settings of the turbo chillers in the air conditioning systems at our large plants and further converted the ceiling lights at the Numazu Plant to LEDs.

Aiming to reach our long-term fiscal 2030 target, we will lower CO₂ 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.

Reduction in CO₂ Emissions Intensity



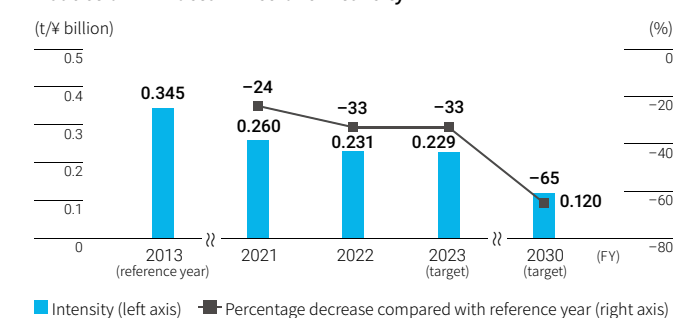
Effective Utilization of Resources

In fiscal 2022, waste emissions intensity was 23.1 tons of waste emissions per ¥1.0 billion, a 33% reduction compared with that of fiscal 2013.

Fiscal 2022 initiatives to reduce waste emissions included reducing waste plastic during production testing of extrusion molding machines 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.

Reduction in Waste Emissions Intensity



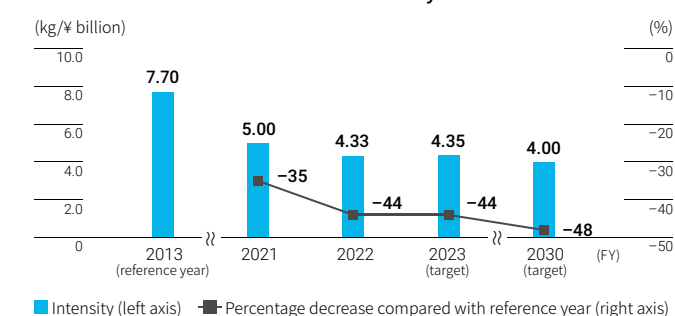
Management of Chemicals

In fiscal 2022, chemical emissions intensity was 433.0 kilograms of chemical emissions per ¥1.0 billion, a 44% reduction compared with fiscal 2013.

Fiscal 2022 initiatives to reduce chemical emissions included a change of paint that reduces the amount of diluting solvents.

Aiming to reach our long-term fiscal 2030 target, we will lower chemical emissions through a range of measures. For example, at the product 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.

Reduction in Chemical Emissions Intensity



Water Resource Initiatives

The SHIBAURA MACHINE Group Environmental Policy calls for us to contribute to the creation of an environment that will be passed on to the next generation in a healthy state, comply with laws and regulations, develop and provide environmentally friendly products, reduce the environmental impact of our business activities, protect eco-systems, promote the effective use of resources and energy, and actively engage in environmental preservation activities.

Water is a precious resource that is essential to our daily lives and business activities. Recognizing that water is a limited and important resource, and based on the SHIBAURA MACHINE Group Environmental Policy, we will help to secure sustainable water resources by engaging in environmental conservation activities focused on the effective use of water, appropriate wastewater management, and prevention of water pollution.

Environmental Considerations in Product Development

CO₂ emissions at the product use stage account for the majority of CO₂ emissions over the entire life cycles of SHIBAURA MACHINE products. Therefore, improving the energy-saving performance of our products and reducing CO₂ emissions during the product use stage is effective in reducing the environmental impact of our products.

Examples of Environmentally Conscious Products

Die Casting Machine DC400R2-EM

To reduce load on the hydraulic pump, this machine uses an electrically driven clamping mechanism. Also, the high-response servo motor drive reduces power consumption by shortening cycle time through high-speed mold opening and closing and stopping intermediate mold clamping.



Double Column Type Machining Center MPC-H

High-speed rotating spindles are typically mist-lubricated, but this machine uses greased bearings for the spindles to eliminate the need for the air used in mist lubrication. This shortens air compressor operating time and reduces power consumption.



Developing Environmentally Conscious Products and Reducing Potential Impact on the Environment

When developing new environmentally conscious products, we perform product assessments to estimate and reduce the 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 CO₂ emissions reduction.*

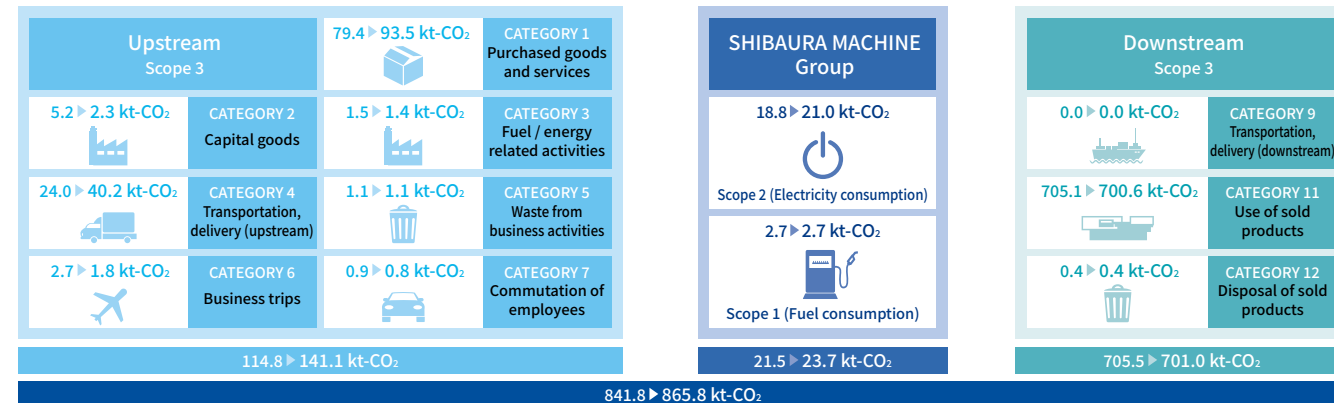
* The amount of CO₂ emissions that is considered to have been reduced by replacing a previous model with an environmentally conscious product with a better energy-saving performance

Environmental Load from the Entire Supply Chain

Since fiscal 2015, we have estimated and calculated CO₂ 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 GHG emissions from the entire supply chain

Results for Fiscal 2021 ▶ Results for Fiscal 2022



Endorsing the TCFD Recommendations

We have announced our endorsement of the TCFD* recommendations. Going forward, we will continue to disclose information in accordance with the TCFD's recommended framework.

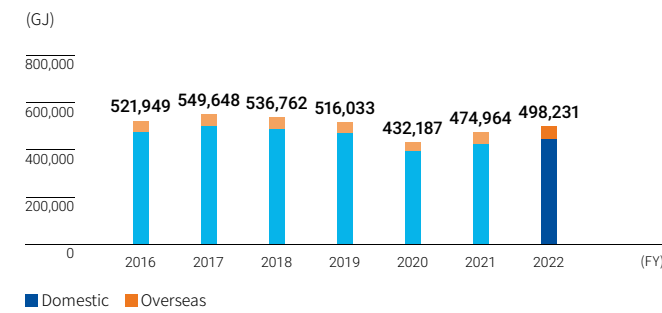


* TCFD stands for the Task Force on Climate-related Financial Disclosures, which was established to consider how to disclose climate-related information and manage the response of financial institutions. The TCFD recommends that companies and organizations disclose information on climate-related risks and opportunities.

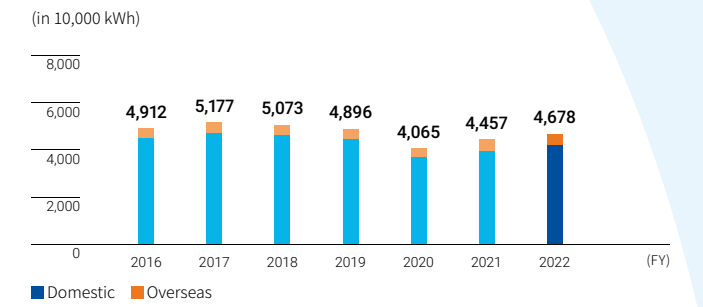
Environmental Data

Input and Output Graphs

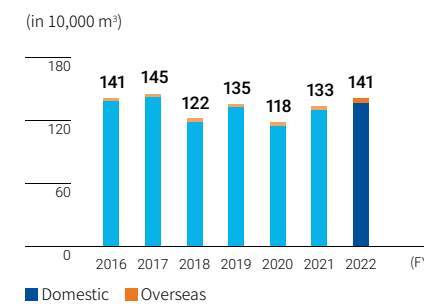
Energy Consumption by Fiscal Year



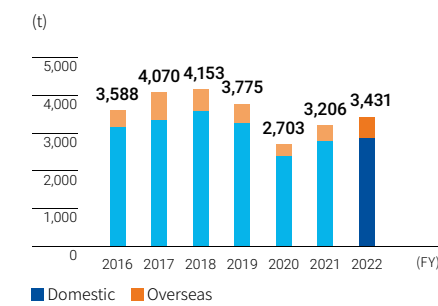
Electricity Consumption by Fiscal Year



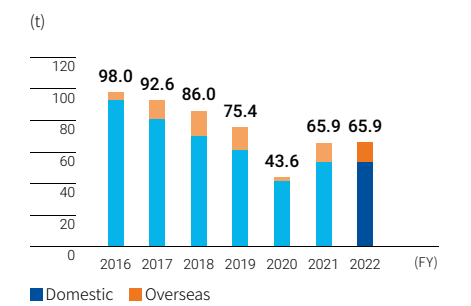
Service Water Consumption by Fiscal Year



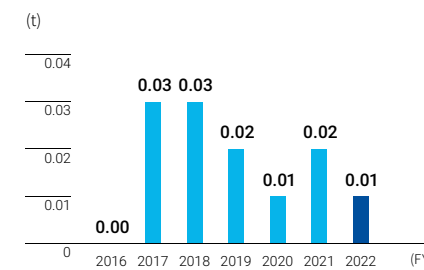
Waste Emissions by Fiscal Year



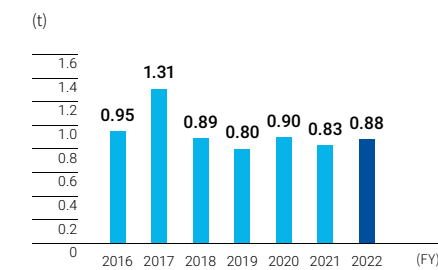
Chemical Emissions by Fiscal Year



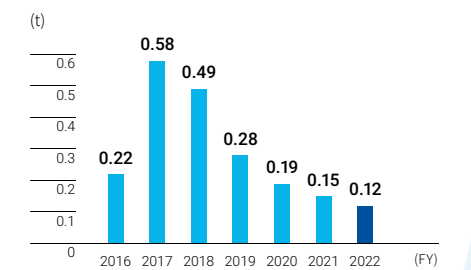
Domestic Soot and Dust Emissions by Fiscal Year



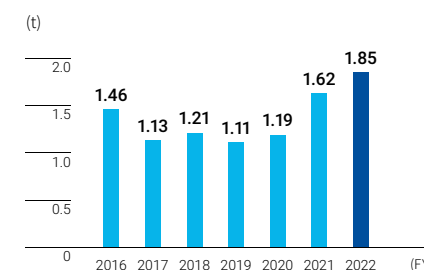
Domestic Nitrogen Oxide Emissions by Fiscal Year



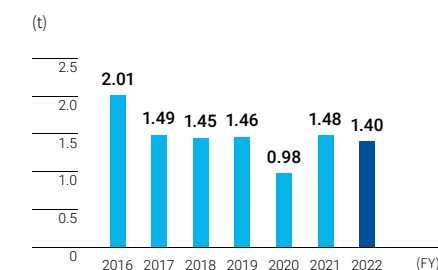
Domestic Sulfur Oxide Emissions by Fiscal Year



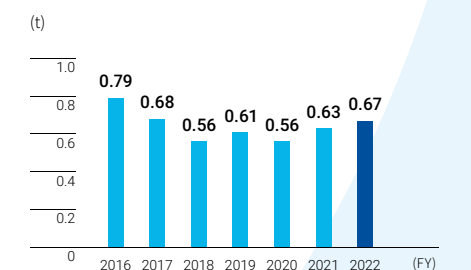
Domestic BOD*¹ Emissions by Fiscal Year



Domestic SS*² Emissions by Fiscal Year



Domestic N-hex*³ Emissions by Fiscal Year



*¹ BOD (Biochemical oxygen demand): The volume of oxygen consumed when organic material is decomposed by microorganisms in water

*² SS (Suspended substance): Particles that have diameters of two millimeters or less and which are floating in water

*³ 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.



Kiyoshi Sato
Outside director

Yukio Iimura
Chairman

Chisa Hayakawa
Outside director

Mr. Sato has served as president and CEO and vice chairman of the Board of Tokyo Electron Limited. He has been an outside director of the Company since June 2017. Mr. Sato currently chairs the Nomination Advisory Committee and is a member of the Remuneration Advisory Committee.

Previous positions include general manager of the Headquarters of Engineering Division, as well as chairman and CEO of the Company. Mr. Iimura was appointed chairman in 2017. He has also chaired the Japan Machine Tool Builders' Association, to which he has served as senior advisor since 2021. Mr. Iimura is a member of the Nomination and Remuneration advisory committees.

Ms. Hayakawa's previous positions include manager of the Investor Relations Group and general manager of the Financial & Accounting Department of Calbee, Inc. Since 2023, she has served as executive officer and CFO, Asia Oceania Region, of Calbee. Ms. Hayakawa is a certified tax accountant and a securities analyst (CMA). Since June 2020, she has served as an outside director of the Company and is a member of the Nomination Advisory Committee.

Discussion Among the Chairman and Outside Directors

This section features a frank exchange of opinions concerning SHIBAURA MACHINE's corporate culture, management plans, issues to be resolved, and dialogue with the stock market among the Company's chairman, Yukio Iimura, and outside directors Kiyoshi Sato and Chisa Hayakawa.

SHIBAURA MACHINE's Corporate Culture

Sato When I was appointed outside director in June 2017, I read about the Company's history. I learned about the founder, Kametaro Fujishima, who strove tirelessly toward the goal of making machine tools domestically in Japan and eventually succeeded in creating world-class products that could be introduced to the rest of the world. This story resonated with me. Although my background is in a different type of product—semiconductor manufacturing equipment—I am very familiar with taking on global challenges through Japanese craftsmanship. I believe that the passion for manufacturing and the sense of mission to contribute to the development of core industries are part of the underlying corporate culture that has continued to flow through SHIBAURA MACHINE during its long history.

Hayakawa I can certainly sense the Company's strong determination and pride in the technological expertise and manufacturing capabilities it has amassed through tackling all sorts

of machinery-making challenges. It is possible to see the Company's potential to create products that can help solve future societal issues, including environmental problems.

Sato Over its long history, the Company has amassed unique strengths, but some issues have accumulated as well. Continuing with hidebound work practices can become inefficient as the operating environment changes. At the same time, enacting change is difficult and time-consuming when conventional practices have become deeply rooted within the organization. SHIBAURA MACHINE has faced just this sort of challenge.



Hayakawa When speaking with employees, it is clear that many identify as craftspeople and have the distinctively calm and serious demeanor often associated with that ilk. That may be considered a defining characteristic of the Company's culture. It seems to be, too, that a strong desire to create good products may have a flip side—a lack of desire to focus on profits.

Iimura You have both raised some salient points. There have often been occasions where we would enthusiastically take on the challenge of building complex and sophisticated specialized machinery, only to find that the orders did not generate profit. While the Company still has a tendency to rely on its ability to create and desire to contribute to core industries without giving due consideration to profits, we are conscious of changing this mindset. Honestly speaking, however, it is difficult to break away from deeply ingrained practices that have existed for over 80 years under a specific major shareholder.



Medium-Term Management Plan "Management Reform Plan"

Sato Toshiba was that major shareholder, and when the Company left the Toshiba Group in 2017, rather than Toshiba putting your shares on the market, you purchased those shares, right?

Iimura Yes. After conducting a share buyback in 2017 and relaunching as an independent machinery manufacturer, we recognized the need to clearly demonstrate our path forward to the stock market. As a result, we launched a new medium-term management plan, starting in fiscal 2019. The feedback we received from our outside directors, including Mr. Sato, suggested that we should make the plan more effective and establish KPIs that were easier for shareholders to understand. We took this feedback into consideration and we refined our approach and developed the current medium-term management plan, the Management Reform Plan, a medium-term management plan ending in fiscal 2023.

Sato The Company had been consistently falling short of the numerical targets set in the medium-term management plans. It was hard to imagine how the stock market would agree positively to the Company falling far short of its targets in its first



medium-term plan as an independent company. I remember being harshly criticized from the outside directors.

Hayakawa Despite the prolonged impact of the COVID-19 pandemic, as well as dramatic changes in the international situation, depreciation of the yen, and soaring raw material prices, the Company has outlined a path to reach the goals set in the final fiscal year of the Management Reform Plan. While we benefited from the tailwind of rising demand for extrusion machines for lithium-ion battery separator film, it is also clear that the Company is becoming more resilient and flexible in adapting to the rapidly changing business environment.

Sato That's right. At the start of the Management Reform Plan, the Company set its numerical targets as an operating margin of 8.0% and ROE of 8.5%. Shortly after the plan's launch, the Company saw one change after another in its operating environment. I give high marks to the operations that enabled the Company to overcome those challenges. I am very pleased that the Company is on track to meet the expectations of the shareholders who have supported our plan.

Iimura As you mentioned, in the past, we thought a rolling plan that was revised as the business environment changed but the Management Reform Plan is different, in that we are positioning its initial targets as commitments. We have also asked the executive team to commit to our targets for fiscal 2023, the plan's final year.

Hayakawa While growth in demand for lithium-ion battery separator film production lines is currently in the limelight, at the same time, we are working to ensure that overall improvements to SHIBAURA MACHINE's structure are on track. At Board meetings, we receive monthly progress reports on KPIs from the executive team. The Company has also implemented a remuneration system that is closely linked to the targets set in the Management Reform Plan, which I think reflects its determination to meet those goals.

Introducing a Stock Compensation Plan to Better Link Pay to the Company's Consolidated Operating Performance

Iimura In the past, we followed our parent company's policy, where remuneration was not closely linked to performance. However, we introduced a new remuneration system in 2020, when we launched the Management Reform Plan. This system divides compensation into three components: basic compensation, performance-linked compensation in the form of cash bonuses, and stock compensation. The performance-linked cash bonuses align with the performance targets of the

Management Reform Plan: the operating margin and ROE. Stock compensation has been broken down into service-based restricted stock (compensation paid in stock in return for ongoing service) and performance-based restricted stock (stock paid as compensation if the targets of the Management Reform Plan are met in its final year). The latter type of remuneration will not be paid if the Company falls short of its targets by even 0.1%. Changes to the remuneration system require the approval of the Remuneration Advisory Committee, of which Mr. Sato is a member. I recall the proposal being repeatedly sent back and re-submitted to the committee after being told that the plan was still too “loose” and that it needed to be tightened up.

Sato Ms. Hayakawa referred to a “lack of greed to focus on profits.” To address this issue and align the Company with shareholders’ interests, I am certain that introducing a performance-based remuneration system for executives is a good idea. Without a doubt, this system will contribute toward achieving the goals set forth in the Management Reform Plan. I hope to see operating performance and compensation rising together in a virtuous cycle.

Issues that Need to Be Resolved to Make a Leap Forward

Iimura While I appreciate the kind words from both of you, I also recognize that there are still numerous challenges to be addressed. Focusing our management resources on lithium-ion battery separator film production lines has yielded positive results, but we still need to resolve underlying issues in other in-house companies and products. For example, although machine tools were profitable in fiscal 2022, the level of profitability has been extremely low. Additionally, as the market transitions from vehicles with internal combustion engines to electric vehicles, we need to explore new business opportunities for die casting machines. As our outside directors have frequently pointed out, we must also address the crucial task of deciding on our next pillar of business following lithium-ion battery separator film production lines.

Hayakawa Chairman Iimura frequently comments that after seeds are sown, it takes more than 20 years for them to bear



fruit, and that the Company’s success in lithium-ion battery separator film production lines is no mere fluke. However, initial plans did not anticipate the current magnitude of the growth in demand for these machines. If the structural reforms outlined in the Management Reform Plan had progressed as expected, the operating margin for the final fiscal year might have been significantly higher than the 8% range.

Sato Previously, I served as president of a company that made semiconductor manufacturing equipment. Because we effectively had just a single product, performance was constantly affected by the supply and demand swings of the “silicon cycle.” In contrast, SHIBAURA MACHINE has a diverse product portfolio that helps to mitigate the volatility of performance in response to changes in the business environment and serves as the foundation for long-term sustainability. If the Company had focused excessively on selection and concentration, it would not have been able to quickly establish a production system for lithium-ion battery separator film production lines. That said, with the market for injection molding machines having been lackluster for more than six months, the Company cannot justify leaving business in this area untouched. The Company needs to constantly monitor such



businesses and be strict in its approach.

Iimura We are also a manufacturer of industrial machinery. One of the goals of the Management Reform Plan is to increase the mobility of our management resources by breaking down barriers between machines. This should help us minimize the inefficiencies caused by having diverse models and, conversely, maximize the benefits of the plan.

What We Should Focus on When Interacting with the Stock Market

Hayakawa From the perspective of investor relations, which is an area I have been involved in for many years, it seems the Company is not enough of explaining how a diverse business portfolio can be effective in making corporate value more sustainable. For example, I believe the Company could garner more investor support for its long-term growth story if it would



clearly explain the strengths of each business it has built up during its long history, such as talented personnel and technologies, as well as their future potential.

Sato Focusing on a scenario that highlights investing in and further enhancing the Company’s strengths over the medium to long term can increase market expectations and confidence in the Company’s ability to further improve profitability and a stable cash flow. To enhance confidence in this way, the Company will need to continue strengthening its governance. One aspect of governance is boosting the efficiency of management. In this area, I can offer my insights based on my experience in a semiconductor manufacturing equipment company. Another aspect of governance is a commitment to balancing corporate sustainability with initiatives such as contributing to climate change mitigation. This is an area where Japanese companies excel, and the Company can successfully achieve this balance through responsible management. However, it is clear that expectations toward companies are increasing, particularly for formal initiatives to address ESG disclosure.

Hayakawa Certainly, comprehensively responding to formal requests from outside a company can boost its market evaluation, but such moves need to be accompanied by effectiveness. I think the Company should focus on what is truly important in enhancing corporate value.

Iimura Based on our “Environmental Action Plan,” we have set long-term goals for fiscal 2030, such as reducing CO₂ emissions. It would be counterproductive for us to spend money trying to boost our third-party evaluations if profitability suffers as a result. We have received suggestions from outside directors that we should respond properly to requests that



need to be addressed, but we have not received any suggestions on what we should pursue formally.

Looking to the Next Medium-Term Management Plan

Sato As you say, if the Company tries to do more than it has the global capacity to achieve, operational efficiency will inevitably decline. I believe the Company should prioritize allocating resources so it can reduce GHG emissions through its core products. I understand that “contributing to a decarbonized society” will be a major theme of the next medium-term management plan. As global competition increases, I think the Company needs to become even more agile and accelerate both management and manufacturing. By doing so, I believe it is possible for SHIBAURA MACHINE to achieve an operating margin of 10% and become one of Japan’s leading companies.

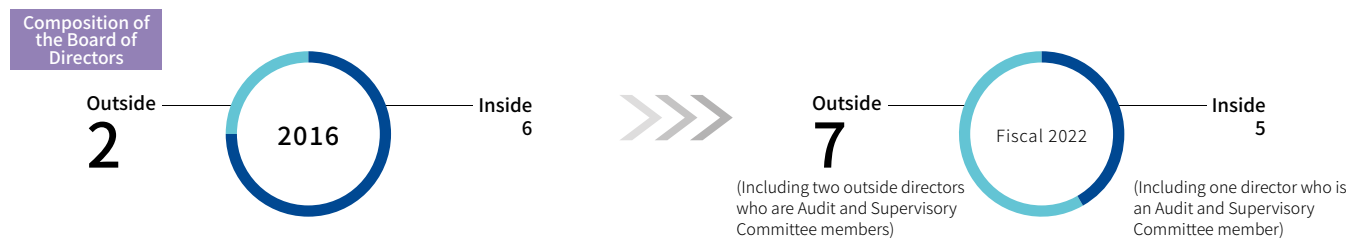
Hayakawa In the next medium-term management plan, I expect the goals to be set even higher. I believe SHIBAURA MACHINE has the potential to improve efficiency and growth at the same time. As market capitalization increases, the Company will attract interest from new investors. Accordingly, I hope the Company will foster a cycle of engaging with these investors and enhancing its corporate value.

Iimura Ms. Hayakawa, I greatly appreciate your insightful advice. Showcasing your expertise as an investor relations professional, you consistently provide accurate guidance with real-life examples regarding communication with investors. Mr. Sato, I also value your extremely helpful opinions, leveraging your extensive experience in the rapidly changing world of semiconductor manufacturing equipment to maximize profits. In addition to these two, our other outside directors also provide valuable insights based on their respective backgrounds, contributing crucial opinions during our Board meetings. We sincerely express our gratitude to them. Your feedback has helped us realize there are still areas where the Company can improve, particularly when it comes to our focus on profitability. We deeply appreciate the insights and opinions of our outside directors, and we will continue to listen to them attentively as we strive to bring about a true transformation for Shibaura Machine. We appreciate your continued guidance. Thank you very much for today.

SHIBAURA MACHINE's Corporate Governance

Corporate Governance Reforms

We split off from the Toshiba Group in March 2017. After that point, we adopted a “company with committees” governance structure that includes an Audit and Supervisory Committee. We continue to further strengthen corporate governance, such as by increasing the number of outside directors.



	2013	2023
Separated business management and execution	2013 Introduced an executive officer system	2019 Moved from being a company with a board of corporate auditors to a “company with committees” governance structure that includes an Audit and Supervisory Committee
Outside directors	2013 Appointed outside directors	2018 Increased number of outside directors to one third of the total 2019 Made outside directors the majority 2020 Appointed a female outside director
Committees (advisory committees to the Board of Directors)	2015 Established a Nomination Advisory Committee 2015 Established a Remuneration Advisory Committee	2020 Appointed an outside director to chair the Nomination Advisory Committee 2020 Appointed an outside director to chair the Remuneration Advisory Committee
Director compensation		2020 Introduced a stock compensation plan

To learn about our basic approach to corporate governance, see our *Corporate Governance Report*. (Japanese only)

<https://www.shibaura-machine.co.jp/jp/ir/library/cg/>



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.

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.

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.

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.

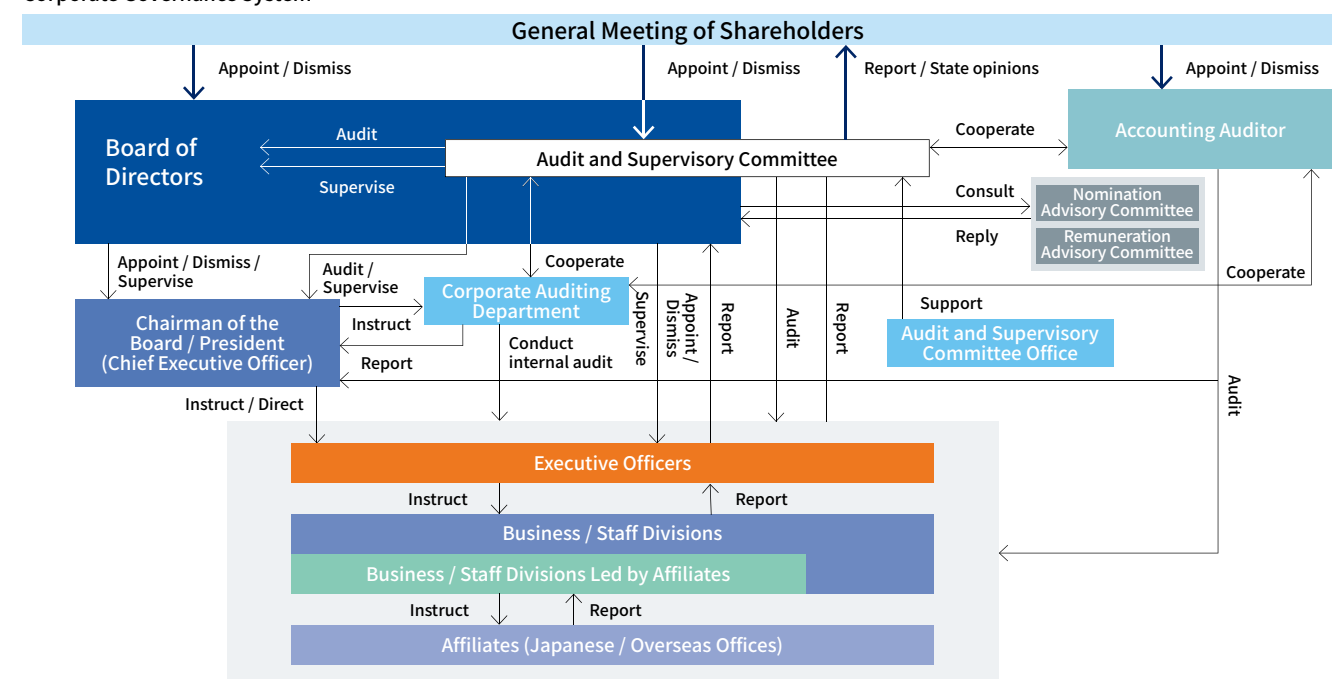
4 Internal Auditing Department

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



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	6	15 of 15 (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	5	15 of 15 (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	4	15 of 15 (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	4	15 of 15 (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 a public prosecutor, an attorney and an outside officer for other companies.
Chisa Hayakawa	3	15 of 15 (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.
Akifumi Imamura (Audit and Supervisory Committee Member)	2	15 of 15 (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.
Shigeo Ogi (Audit and Supervisory Committee member)	Newly appointed	—	Shigeo Ogi has an impressive character and knowledge, and we expect that he will be able to put his extensive experience and knowledge gained as a certified public accountant and an outside officer for other companies to good use. Accordingly, we have appointed him as an outside director who is an independent officer.

Compositions of the Board of Directors and the Nomination and Remuneration Advisory Committee, as Well as Meetings Held and Attendance

Name	Position	Nomination Advisory Committee	Remuneration Advisory Committee
Yukio Imura	Chairman	100% (2/2 times)	100% (3/3 times)
Shigetomo Sakamoto	President, Chief Executive Officer, Chief Operating Officer	—	—
Akiyoshi Kobayashi	Director, Executive Operating Officer	—	—
Hiroaki Ota	Director, Executive Operating Officer, Chief Financial Officer,	—	—
Kiyoshi Sato	Outside Director	(Chair) 100% (2/2 times)	100% (3/3 times)
Seigo Iwasaki	Outside Director	100% (2/2 times)	(Chair) 100% (3/3 times)
Hiroshi Inoue	Outside Director	100% (1/1 times)	—
Kazumine Terawaki	Outside Director	—	100% (3/3 times)
Chisa Hayakawa	Outside Director	100% (1/1 time)	—
Hiroshi Takahashi	Director (Full-Time Audit and Supervisory Committee Member)	—	—
Akifumi Imamura	Outside Director (Audit and Supervisory Committee Member)	100% (2/2 times)	—
Shigeo Ogi	Outside Director (Audit and Supervisory Committee Member)	—	—

Note: In fiscal 2022, Chisa Hayakawa replaced Hiroshi Inoue on the Nomination Advisory Committee.

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 Imura	Chairman	Male	●	●						●	●	●
Shigetomo Sakamoto	President, Chief Executive Officer, Chief Operating Officer	Male	●	●				●	●	●	●	●
Akiyoshi Kobayashi	Director, Executive Operating Officer	Male	●	●						●		
Hiroaki Ota	Director, Executive Operating Officer, Chief Financial 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		●		●						●
Akifumi Imamura	Outside Director (Audit and Supervisory Committee Member)	Male		●	●							
Shigeo Ogi	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, in fiscal 2022 SHIBAURA MACHINE disposed of all shares of one company and some shares in another company. 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.

- 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) stockbased compensation subject to continuous service, (ii) cash bonuses linked to short-term performance, and (iii) stock compensation linked to medium- to long-term performance.
- A strong incentive to achieve performance targets shall be established by linking the Company's medium-term management plan with stock compensation.
- 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

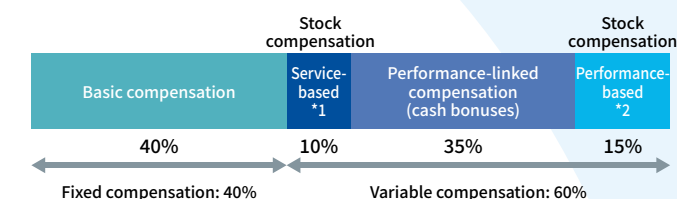
to eligible directors based on resolutions of the Company's Board of Directors. All said monetary compensation claims are required to be contributed in kind to the Company as property contributed in kind. Restricted stock is granted based on the number of shares equivalent to the figure that results 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 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.

Makeup of remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors)
(The fiscal year immediately following the conclusion of the medium-term management plan)

*1 Service-based restricted stock
*2 Performance-based restricted stock



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.

In April 2023, 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 2023.

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

Compensation of Directors in Fiscal 2022

	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)	221	140	58	—	22	9
(Of Whom, Outside Directors)	(50)	(50)	(—)	(—)	(—)	(5)
Directors (Audit and Supervisory Committee Members)	37	37	—	—	—	3
(Of Whom, Outside Directors)	(19)	(19)	(—)	(—)	(—)	(2)
Total	259	178	58	—	22	12
(Of Whom, Outside Directors)	(69)	(69)	(—)	(—)	(—)	(7)

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, ensuring the time necessary for deliberation on 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 of the Board of Directors was positive with respect to the provision of feedback on dialogue with shareholders and investors, stimulating discussion on ESG and sustainability, further deepening discussion on follow-up to the management plan and resolution of issues were recognized as challenges for the future.

**Yukio Iimura**

Chairman

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
 Apr. 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)

**Hiroshi Inoue**

Outside Director

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)

**Shigetomo Sakamoto**President
Chief Executive Officer
Chief Operating Officer

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)

**Kazumine Terawaki**

Outside Director

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 (currently Shin Bell 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)

**Akiyoshi Kobayashi**Director and Executive
Operating Officer
Security and Regulation Control
Division General Manager,
Sagami Plant General Manager,
and
Overall responsibility for
quality assurance

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 Sagami Plant General Manager (present position), R&D Center General Manager, 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)
 June 2023 In charge of R&D Center of the Company (present position)

**Chisa Hayakawa**

Outside Director

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.
 Mar. 2022 Outside Director of Milbon Co., Ltd. (present position)
 Apr. 2022 Managing Executive Officer and CFO of Calbee, Inc.
 Apr. 2023 Executive Officer and CFO, Asia Oceania Region of Calbee, Inc. (present position)

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

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 Savian 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 Savian Corporation (currently Houlihan Lokey, Inc.) Director of GCA Savian Singapore Private Ltd. (currently Houlihan Lokey Advisers Singapore Private Limited)
 Mar. 2015 Director, CFO and Managing Director of GCA Savian 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)

**Hiroshi Takahashi**Director
(Full-Time Audit and
Supervisory Committee
Member)

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)

**Kiyoshi Sato**

Outside Director

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.

**Akifumi Imamura**Outside Director
(Audit and Supervisory
Committee Member)

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 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)
 Mar. 2023 Outside Audit & Supervisory Board Member of KYOWA Co., Ltd. (present position)

**Seigo Iwasaki**

Outside Director

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)

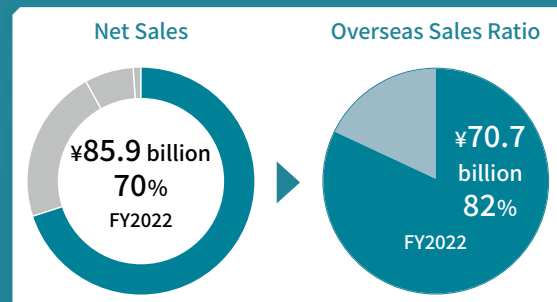
**Shigeo Ogi**Outside Director
(Audit and Supervisory
Committee Member)

Nov. 1974 Joined Deloitte Haskins & Sells LLP Accountant Office (currently Deloitte Touche Tohmatsu LLC)
 Aug. 1979 Registered as a certified public accountant
 July 1990 Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
 July 1997 Senior Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
 Dec. 2015 Established Ogi Certified Public Accountant Office (present position)
 June 2016 Outside Audit and Supervisory Board Member of Nippon Soda Co., Ltd.
 June 2020 Outside Director (Audit and Supervisory Committee Member) of Nippon Soda Co., Ltd.
 June 2020 Outside Audit and Supervisory Board Member of ALCONIX CORPORATION (present position)
 June 2023 Outside Director (Audit and Supervisory Committee Member) of the Company (present position)

Metal & Plastics Industrial Machine Company

Metal & Plastics Industrial Machine Company

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, M&P Company’s products also contribute to a wide range of other fields, including the telecommunications, optics, medicine, and food fields.



Strengths

- Global supply chain centered on four locations in Japan and overseas
- Solutions business structure comprising global sales and service locations
- In-house production technology for large cast parts and control devices for our products
- Full line of sheet and film production equipment

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

Opportunities

- Growing need for environment-friendly materials with a view to achieving carbon neutrality
- Accelerating investment in the transition to EVs
- Increasing demand for energy savings and renewable energy
- Utilization of our base in India, where the economic environment is favorable

Threats

- Growing trend toward plastic-free products due to marine pollution caused by plastic waste
- Impact of soaring energy costs on prices of materials
- 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

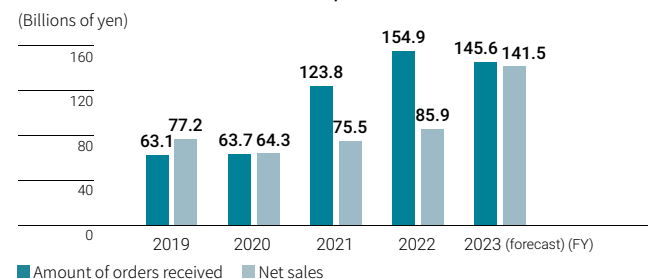
Main Products

- Injection molding machines
- Die casting machines
- Twin-screw extruders
- Sheet and Film production unit

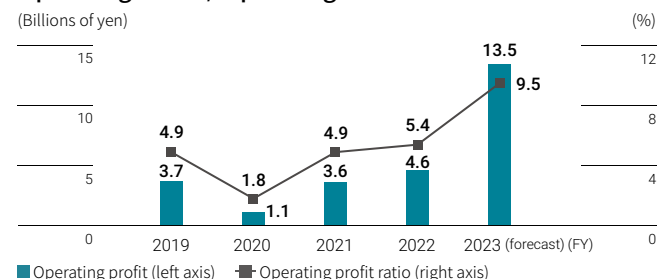


Performance Summary

Amount of Orders Received / Net Sales



Operating Profit / Operating Profit Ratio



Business Overview

Injection Molding Machines

We have leveraged the extensive expertise accumulated since building our first injection molding machine in 1956, along with the latest technology, to provide products and services that meet a wide range of needs in various industries, including the automotive manufacturing, medical, and information and communication sectors. We are committed to realizing a decarbonized society and contributing to automation and labor savings through the development of high-value-added products and systems, creating value for our customers. With production facilities in four locations, in Japan and overseas, we are striving to build a brand trusted globally among our customers and society at large.

Die Casting Machines

Since introducing Japan’s first domestically produced die casting machine in 1953, we have utilized our experience and technological expertise to gain the top share of the Japanese market for die casting machines. We provide die casting technology and equipment that leverage the latest injection and control technologies.

By fully utilizing the light weight, high rigidity, and recyclability of aluminum die-cast products, we contribute to the development of rapidly growing electric vehicle (EV) technologies and further advances in the automotive market.

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 a rapid growth in demand. We are also developing advanced technologies for film manufacturing equipment for the optical, food packaging, 5G, medical industries, coating, and imprinting. Through such initiatives, we will contribute to the realization of next-generation technologies.

Business Management

With production facilities in Japan, China, Thailand, and India, and through sales and service bases around the world, we are developing a solutions business to help realize a decarbonized society. The automotive industry, which is the M&P Company’s primary domain, is undergoing a value shift toward vehicles characterized by connectivity, autonomous, sharing/subscription, and electrification (CASE) and an accelerating focus on carbon neutrality. One notable example is the increase in electric vehicles (EVs), which is prompting demand for high-performance storage batteries. We specialize in lithium-ion battery separator film production lines, which are needed for these batteries. We also make injection molding and die casting machines, which are essential for turning bioplastics and other materials that help reduce environmental impact into plastic and aluminum parts, and provide them as turn-key systems that contribute to automation and labor savings. We aim to be the world leader in molding and casting products and services, optimizing the experience and maximizing the value our customers gain from using our products.



Value Creation

Fiscal 2022 measures and results

- To meet the growing demand we anticipate from the rapidly expanding Indian market, we have increased our production capacity for hydraulic injection molding machines and expanded a new plant in India with the aim of manufacturing electric injection molding machines there.
- To meet the rise in orders for lithium-ion battery separator film production lines, we have expanded our production system’s capacity to four lines per month as of the end of September 2022.

Initiatives for fiscal 2023 and beyond

- We will promote the use of energy-saving technologies aimed at decarbonization, and offer product development and system engineering support that contributes to automation and labor savings.
- We will further expand our production capacity to meet robust demand for lithium-ion battery separator film production lines.

Topics



Injection molding machine (EC3000SXIII)

Development of an Ultra-Large, All-Electric Injection Molding Machine Contributes to the Realization of a Decarbonized Society

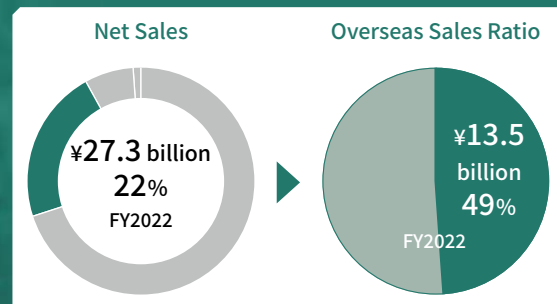
With the growing number of batteries in EVs, demand is growing to reduce the weight of automobiles, improving their driving range. Accordingly, demand has risen for large-scale production equipment to manufacture large plastic components such as car backdoors and bumpers. In response, we have developed a new ultra-large, all-electric injection molding machine with a clamping force of 3,000 tons.

By adding electric-powered, ultra-large injection molding machines to our lineup, which offers superior energy-saving performance compared to hydraulic models, we simultaneously meet the needs of our customers and contribute to the realization of a decarbonized society.

Machine Tools Company

Machine Tools Company

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.



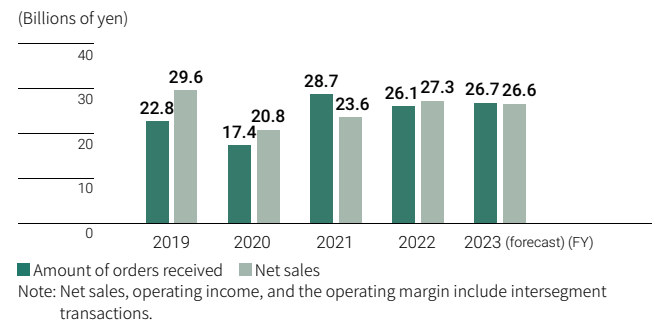
Strengths <ul style="list-style-type: none"> Technical capabilities for the specifications of ultra-large, special-purpose, and custom products Ability to develop world-class technologies that enable leading-edge nano-order processing Resources that enable production of ultra-large products through to high-precision products 	S W O T	Weaknesses <ul style="list-style-type: none"> Low percentage of overseas sales Dispersal of resources due to diverse product lineup
Opportunities <ul style="list-style-type: none"> Increasing demand for systemization and the introduction of 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 <ul style="list-style-type: none"> Strengthening of export control regulations Technological progress of manufacturers in emerging countries

Main Products

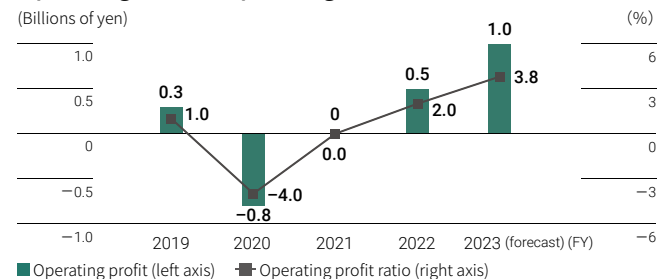
Double column type machining centers			
Boring machines			
High-precision aspheric and free-form surface grinders			

Performance Summary

Amount of Orders Received / Net Sales



Operating Profit / Operating Profit Ratio



Business Overview

To help customers maximize value, the MT Company will establish commercial operations to manufacture, sell, service, and retrofit 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 machine tools 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 used in making the molds of lenses for smartphone and vehicle-mounted cameras and endoscope lens die machining; high-precision optical glass molding press machines used in making molding lenses for vehicle-mounted, security, and mirrorless cameras; and high-precision slicing machines used in 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.

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

Fiscal 2022 measures and results

- We moved forward with the development and commercialization of a large, five-axis multipurpose machine for use in wind and hydroelectric power generation, aerospace, and other fields.
- High-precision machining typically requires advanced skills and expertise. However, we have developed a high-precision machine tool that uses automation and multi-axis synchronized machining to produce high-value-added parts without the need for skilled workers.

Initiatives for fiscal 2023 and beyond

- We will contribute toward the realization of the SDGs by developing a wide-stroke boring machine. This product, which harnesses the superior characteristics of horizontal boring machines, can be used to machine parts for offshore wind power generators, larger models of which are expected to come into use in the future.
- CASE is the current keyword for technological innovation in the automotive industry. We will contribute to the development of next-generation automobiles by leveraging the technologies and knowhow we have cultivated in high-precision micromachining.

Topics



Double column type machining center (MPC-H)

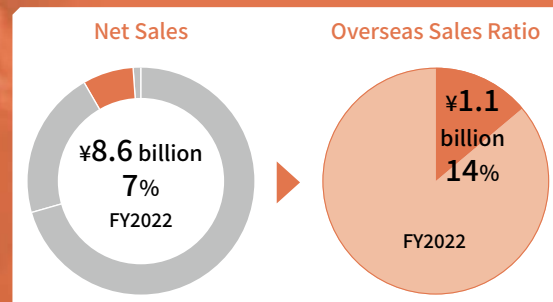
Development of a High-Speed, Five-Axis Double Column Type Machining Center Contributing to a Decarbonized Society

We have developed a high-speed, five-axis double column type machining center to focus on the production of large die-casting and plastic molds, which are key to the advancement of EV technology. Interchangeable attachments allow these machines to handle a wide range of rough and finish machining processes. This arrangement facilitates high-precision machining with minimal errors and reduces processing time. Additionally, by minimizing the number of steps during finish machining, the machine shortens the time required for subsequent polishing. For these reasons, we expect the new machining center to contribute to the widespread adoption of EVs and the transition to a decarbonized society.

Control Systems Company

Control Systems Company

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.



Strengths

- Control technology knowhow cultivated in many different areas inside and outside the Company
- Servo technology capable of nano-order operations
- Robot control technology cultivated through the commercialization of SCARA robots since their earliest days
- An overseas production system that enables local production and local utilization of robots

Weaknesses

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

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 EVs
- 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

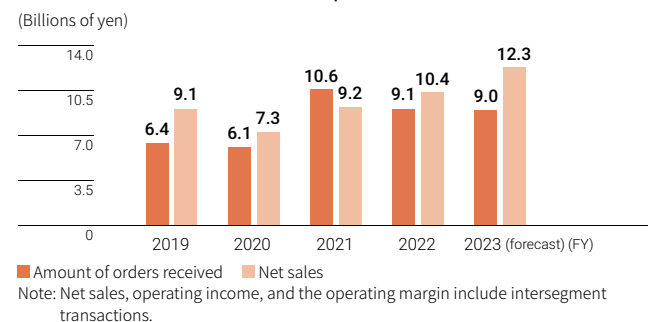
Main Products

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

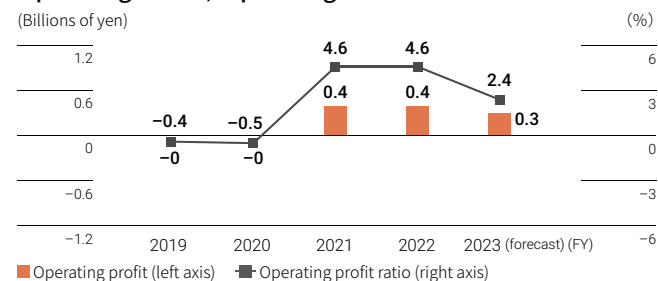


Performance Summary

Amount of Orders Received / Net Sales



Operating Profit / Operating Profit Ratio



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, EV 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, in engineering solutions we provide 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.

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 EV-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, we are marketing dual-arm collaborative robots—which have been developed from a market-oriented perspective—and are establishing 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 EVs, 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

Fiscal 2022 measures and results

- We relocated production, from Japan to our plant in China, of the THE800 and THE1000. These large, highly portable SCARA robots cater to the need for manufacturing equipment for electric vehicle rechargeable batteries.
- We have expanded our system engineering business by cultivating new customers through the introduction of palletizing equipment and cardboard unpacking equipment for in-factory logistics and by expanding sales of composite molding systems.

Initiatives for fiscal 2023 and beyond

- In October 2023, we launched the RIDRS series of dual-arm collaborative robots (humanoid, SCARA type).
- 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 processes.

Topics



Dual-arm collaborative robots

Development of a Dual-Arm Collaborative Robot That Shares a Workspace with People

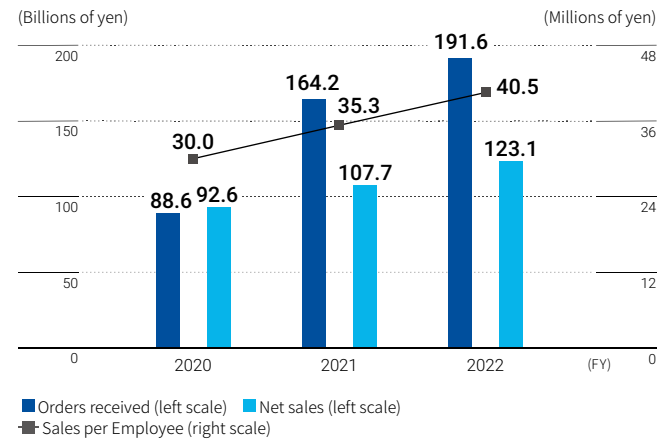
In October 2023, we launched a dual-arm collaborative robot, which we developed to work alongside people and save space and labor requirements.

This space-saving robot can be used for applications including transportation, assembly, and inspection of small parts, such as batteries, and large parts, such as automobile bumpers.

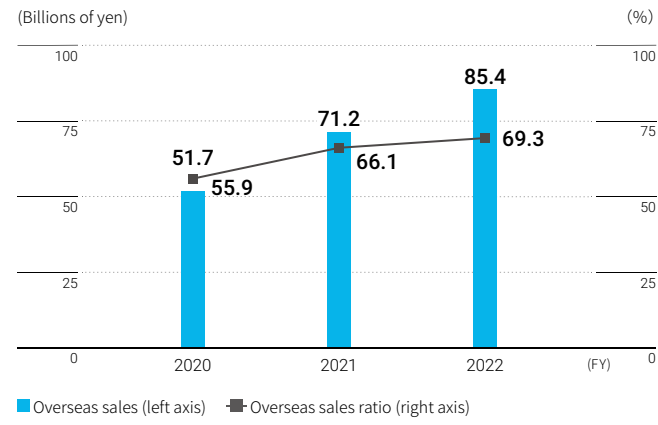
By minimizing the number of jigs required and being able to work alongside people in a way conventional industrial robots could not, we expect these robots to find applications in tasks that were previously impossible to automate.

Consolidated Financial Highlights

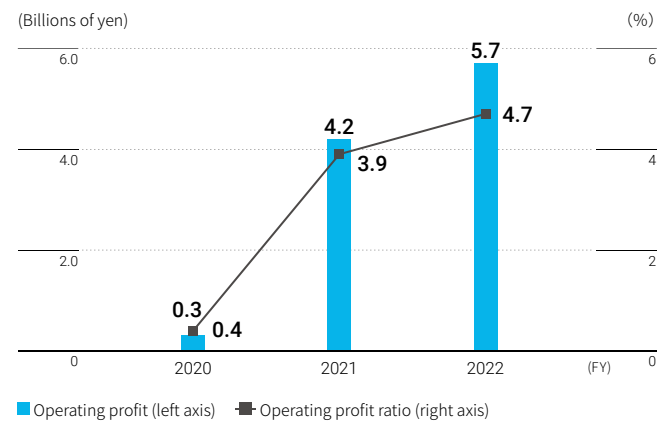
Orders Received / Net Sales / Sales per Employee



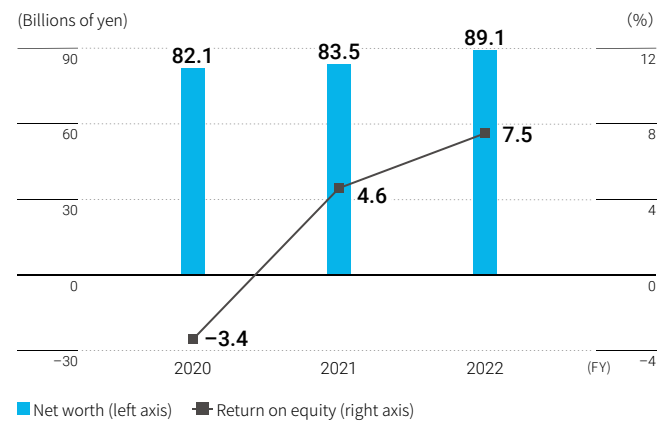
Overseas Sales / Overseas Sales Ratio



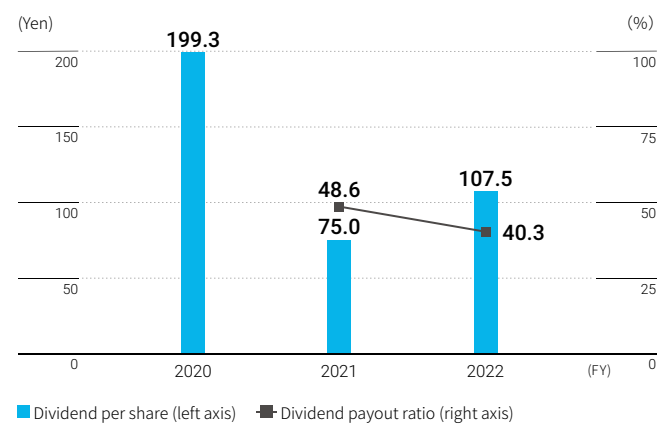
Operating Profit / Operating Profit Ratio



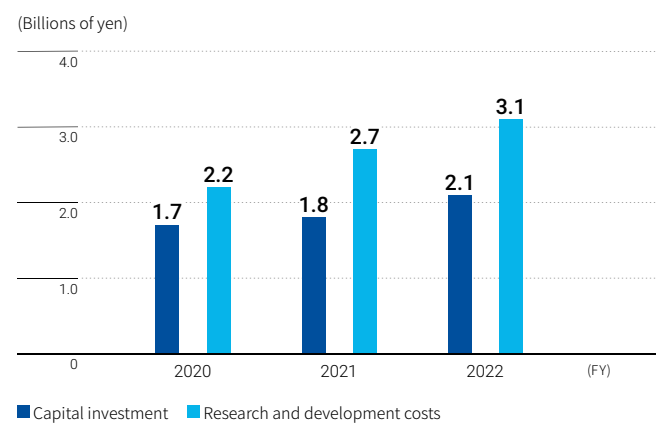
Net Worth / Return on Equity



Dividend per Share / Dividend Payout Ratio

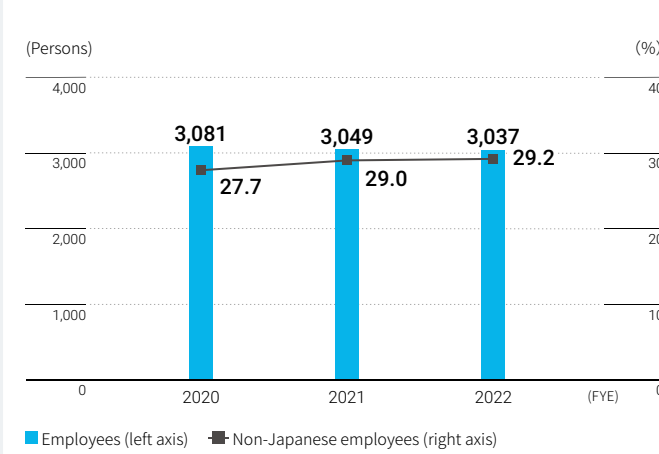


Capital Investment / Research and Development Costs

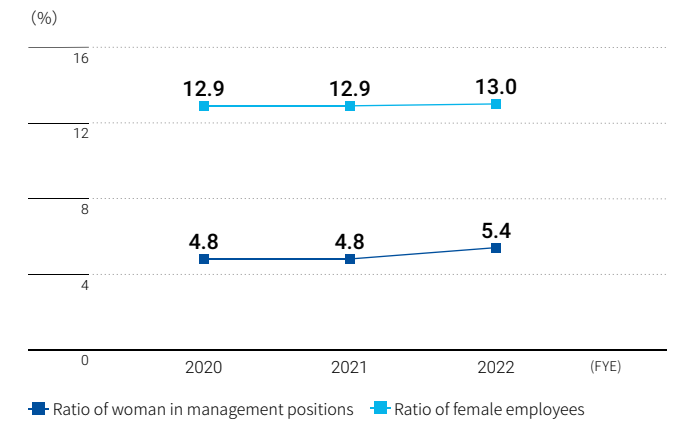


Non-Financial Highlights

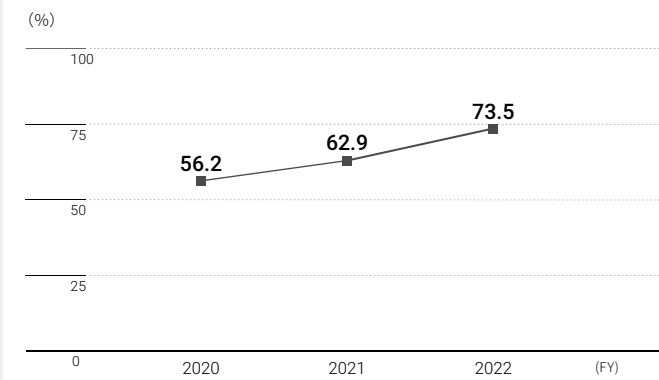
Employees / Non-Japanese Employees (Consolidated)



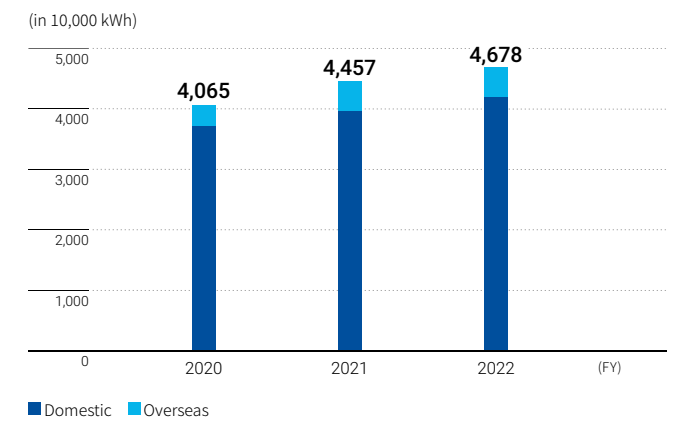
Ratio of Woman in Management Positions / Ratio of Female Employees (Consolidated)



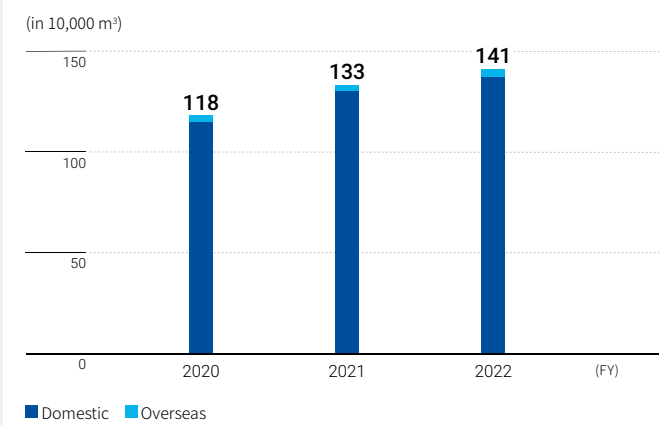
Acquisition Rate of Paid Leave (Non-Consolidated)



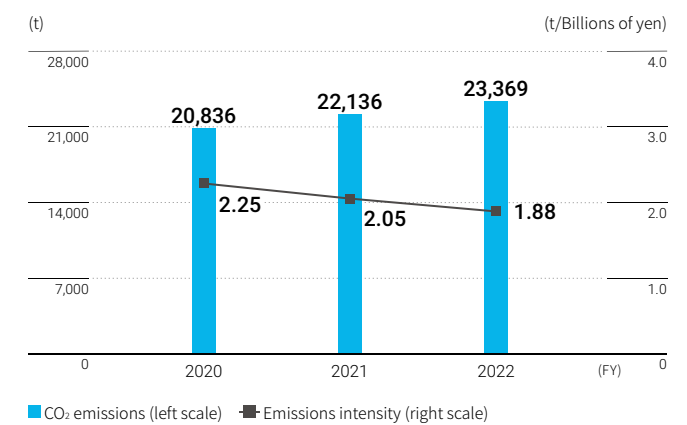
Electricity Consumption



Service Water Consumption



CO₂ Emissions / Emissions Intensity



10-Year Financial Data (Consolidated)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Millions of yen										
Management Performance										
Net sales	113,062	124,373	117,259	111,327	116,862	117,405	116,761	92,635	107,777	123,197
Gross profit	31,581	33,639	32,254	31,977	33,150	32,912	33,459	24,904	32,515	38,809
Gross profit / sales (%)	27.9	27.0	27.5	28.7	28.4	28.0	28.7	26.9	30.2	31.5
Operating profit	4,625	4,788	3,806	4,473	4,640	3,834	3,529	381	4,236	5,765
Operating profit / sales (%)	4.1	3.8	3.2	4.0	4.0	3.3	3.0	0.4	3.9	4.7
Ordinary profit	6,501	6,542	4,966	5,406	6,982	5,573	3,825	872	4,544	5,279
Ordinary profit / sales (%)	5.7	5.3	4.2	4.9	6.0	4.7	3.3	0.9	4.2	4.3
Net profit (loss) in this term attributable to parent company shareholders	4,444	4,312	4,806	1,776	5,016	4,079	7,338	(2,898)	3,725	6,441
Net profit (loss) in this term attributable to parent company shareholders / sales (%)	3.9	3.5	4.1	1.6	4.3	3.5	6.3	(3.1)	3.5	5.2
Amount of orders received	120,221	124,754	120,021	117,021	128,139	134,501	94,224	88,619	164,277	191,653
Financial Position										
Total assets	148,680	159,549	156,346	138,373	148,763	150,724	154,283	134,296	166,989	205,100
Net worth	84,217	93,669	93,345	77,120	81,334	83,197	87,018	82,152	83,515	89,118
Net worth ratio (%)	56.6	58.7	59.7	55.7	54.7	55.2	56.4	61.2	50.0	43.5
Interest-bearing debt	16,596	17,213	16,909	14,890	14,390	14,390	14,390	14,390	14,217	14,011
Important Financial Indicators										
Total asset turnover (number of turnovers)	0.78	0.81	0.74	0.76	0.81	0.78	0.77	0.64	0.69	0.66
Return on assets (ROA, %)	3.1	2.8	3.0	1.2	3.5	2.7	4.8	(2.0)	2.4	3.5
Return on equity (ROE, %)	5.4	4.8	5.1	2.1	6.3	5.0	8.6	(3.4)	4.6	7.5
Cash Flows										
Net cash provided by (used in) operating activities	3,024	(457)	2,781	9,948	6,813	(2,176)	5,312	192	11,299	934
Net cash provided by (used in) investing activities	(1,509)	(1,281)	2,252	(2,983)	(3,921)	(1,493)	19,772	(1,537)	(1,264)	(563)
Free cash flow	1,515	(1,739)	5,034	6,965	2,892	(3,669)	25,085	(1,344)	10,035	371
Net cash used in financing activities	(1,684)	(774)	(1,761)	(19,089)	(2,102)	(1,785)	(1,964)	(4,956)	(2,108)	(2,277)
Cash and cash equivalents at end of year	41,279	40,208	42,932	30,060	30,798	25,592	48,011	42,417	51,710	50,855
Net Sales by Region										
Japan	46,870	51,891	53,078	47,811	46,356	49,298	55,393	40,850	36,490	37,769
North America	19,255	22,778	20,754	19,993	18,490	18,998	14,913	14,841	17,066	22,586
Asia Pacific	44,335	47,084	41,090	41,539	50,496	46,142	45,043	36,070	53,214	61,903
Others	2,600	2,618	2,336	1,983	1,518	2,964	1,410	872	1,006	938
Total sales	113,062	124,373	117,259	111,327	116,862	117,405	116,761	92,635	107,777	123,197
Overseas sales ratio (%)	58.5	58.3	54.7	57.1	60.3	58.0	52.6	55.9	66.1	69.3
Capital Investment, Depreciation, Research and Development Costs										
Capital investment	1,766	2,193	1,547	1,335	4,687	1,195	1,741	1,799	1,810	2,160
Ratio of capital investment to net sales (%)	1.6	1.8	1.3	1.2	4.0	1.0	1.5	1.9	1.7	1.8
Depreciation	1,840	1,965	1,756	1,730	2,049	1,868	1,781	1,755	1,952	2,167
Ratio of depreciation to net sales (%)	1.6	1.6	1.5	1.6	1.8	1.6	1.5	1.9	1.8	1.8
Research and development costs	1,551	1,663	1,668	1,648	1,899	1,835	2,378	2,218	2,771	3,127
Ratio of research and development costs to net sales (%)	1.4	1.3	1.4	1.5	1.6	1.6	2.0	2.4	2.6	2.5
Shareholder Returns										
Total amount of dividends	1,140	1,216	1,824	1,636	1,689	1,810	2,051	4,810	1,811	2,597
Dividend payout ratio (%)	25.7	28.2	38.0	101.1	33.7	44.4	28.0	-	48.6	40.3
Per Share Information										
Number of shares* outstanding at end of period (thousand shares) excluding treasury stocks	152,029	152,025	152,021	120,690	120,682	24,136	24,135	24,146	24,154	24,162
Net income per share	29.23	28.36	31.61	11.87	41.57	169.03	304.06	(120.05)	154.27	266.63
Dividend per share	7.5	8.0	12.0	12.0	14.0	45.0	85.0	199.3	75.0	107.5

* The Company executed a one-for-five consolidation of shares of common stock effective from October 1, 2018.

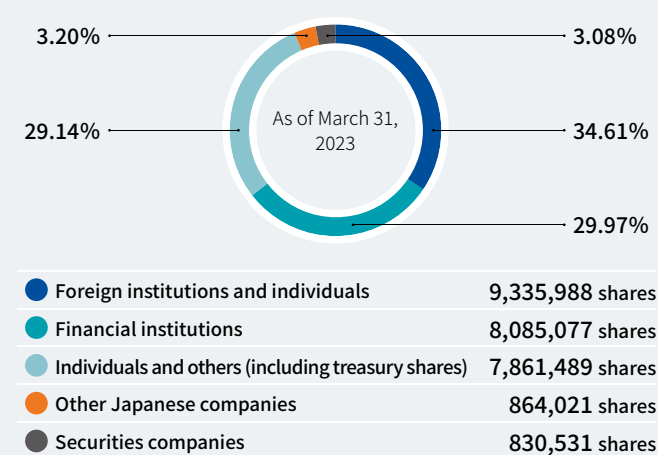
(As of March 31, 2023)

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: 3,037 (Non-Consolidated: 1,683)

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, 2023)	26,977,106 (including treasury stock: 2,814,565)
Number of shareholders (As of March 31, 2023)	11,129 (increase of 432 people from the end of the previous fiscal year)

Distribution of Shares by Shareholder Type



Major Shareholders (As of March 31, 2023)

Shareholder name	Number of shares held (thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,753	15.53
Custody Bank of Japan, Ltd. (Trust Account)	1,939	8.03
GOLDMAN SACHS INTERNATIONAL	1,496	6.19
Shizuoka Bank, Ltd.	596	2.47
Shibaura Machine Employee Stock Ownership Association	580	2.40
BNYM AS AGT/CLTS NON TREATY JASDEC	552	2.28
Mitsui Sumitomo Banking Corporation	536	2.22
Shibaura Machine Suppliers' Stock Ownership Association	504	2.09
MSIP CLIENT SECURITIES	481	1.99
Morgan Stanley MUFG Securities Co., Ltd.	435	1.80

Notes: Although Shibaura Machine holds 2,814,565 treasury shares, it is not included in the above list of major shareholders. The percentage of shares held is calculated after deducting treasury shares.

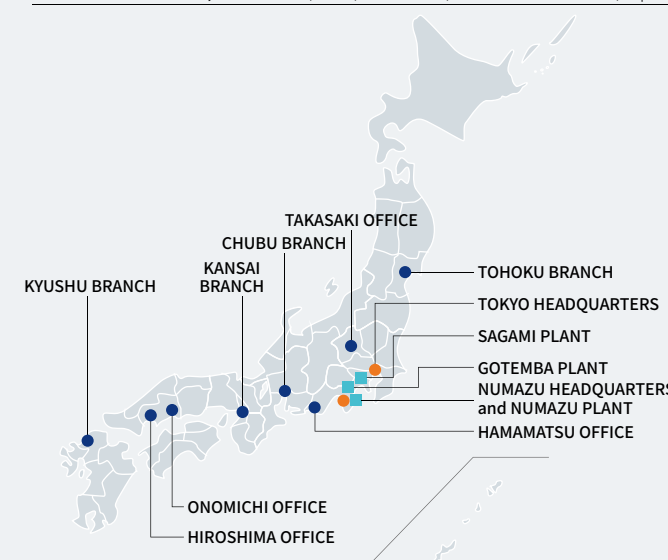
Domestic Offices and Plants

(● 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

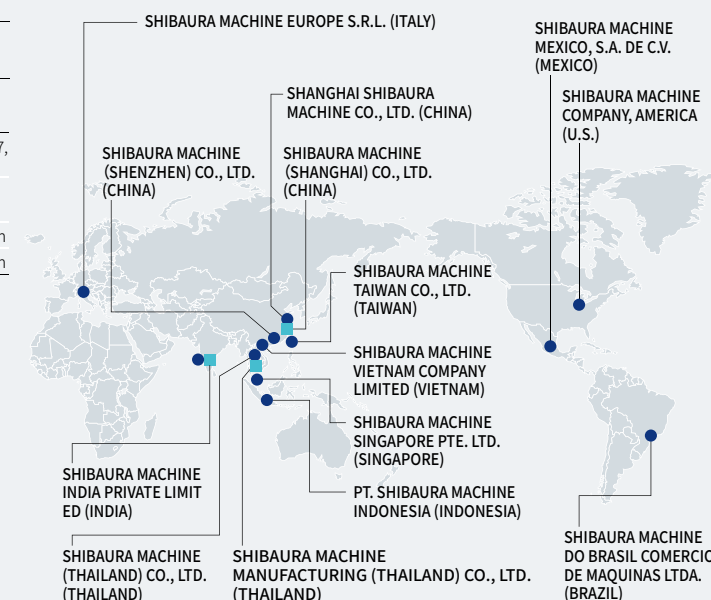
SHIBAURA MACHINE ENGINEERING CO., LTD.	267-2, Nishi-sawada, Numazu-shi, Shizuoka-ken 410-0007, Japan
TOEI ELECTRIC CO., LTD.	131, Matsumoto, Mishima-shi, Shizuoka-ken 411-8510, Japan
SHIBAURA SEMTEK CO., LTD.	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
SHIBAURA SANGYO CO., LTD.	2068-3, Ooka,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



Visit Our Website

Top Page <https://www.shibaura-machine.co.jp/en/>



Investor Relations <https://www.shibaura-machine.co.jp/en/ir/>



Sustainability <https://www.shibaura-machine.co.jp/en/sustainability/>

