



SHIBAURA MECHATRONICS CORPORATION INTEGRATED REPORT 2023

SHIBAURA MECHATRONICS INTEGRATED REPORT 2023

SHIBAURA MECHATRONICS CORPORATION

2-5-1, Kasama, Sakae-ku, Yokohama, Kanagawa Pref. 247-8610, Japan

Inquiries

<https://www.shibaura.co.jp/e/inquiry/index.html>

Design concept of this Integrated Report

The Shibaura Mechatronics Group contributes to customers' manufacturing through Three S's: Smart, Solutions and Services. The cover features an "S" interweaving through the design, conveying the image of Shibaura Mechatronics that contributes to social development by supporting advanced manufacturing.

SKB0801A

Corporate Slogan

Smart Solutions & Services for Your Manufacturing

The Shibaura Mechatronics Group contributes to customers' manufacturing through Three S's: Smart, Solutions and Services.

As a company that supports manufacturing, we will continue to be an indispensable partner for our customers, working with them to consider and understand their needs, and providing manufacturing equipment that fully satisfies them.



Management Policy

Contributing to richer lives with excellent technologies and services.

Corporate Philosophy

Innovative in all things

Shibaura Mechatronics Group contributes to social progress through products that provide customers with new possibilities. Throughout our diverse business activities, we promote innovations that assure our ability to contribute to society.

Pursuit of rationality

Shibaura Mechatronics Group brings rationality to providing products that satisfy customers in respect of function, performance, price and after-sales service.

Respect for humanity

Shibaura Mechatronics Group values and respects human relation. We aim to build a better society through direct relations with customers, shareholders and investors, employees, suppliers and the people in the local community.

Corporate Data (as of March 31, 2023)

Company name	SHIBAURA MECHATRONICS CORPORATION
Headquarters	2-5-1, Kasama, Sakae-ku, Yokohama 247-8610, Japan
Founded	October 12, 1939
Capital	6.761 billion yen
Representative Director, President and Chief Executive Officer	Keigo Imamura
Net sales	Consolidated: 61 billion yen (FY2022)
Employees	Consolidated: 1,221
Major Products	Semiconductor Manufacturing Equipment, Flat Panel Display (FPD) Manufacturing Equipment, Vacuum Equipment, and Other Equipment
Manufacturing sites	YOKOHAMA operations (Yokohama City, Kanagawa Prefecture), SAGAMINO Operations (Ebina City, Kanagawa Prefecture)
Domestic affiliated companies	Shibaura Eletec Corporation Shibaura Vending Machine Corporation Shibaura Precision Co., Ltd. Shibaura Engineering Works Co., Ltd. Shibaura Hi-Tech Corporation
Overseas Affiliates	Shibaura Technology International Corporation Shibaura Mechatronics Taiwan Corporation Shibaura Mechatronics Korea Co., Ltd. Shibaura Mechatronics (Shanghai) Co., Ltd.

CONTENTS

Introduction	Corporate Slogan..... 1	
	Philosophy Structure and Corporate Data Profile/ Table of Contents and Editing Policy..... 3	
	Our Journey of Value Creation..... 5	
Value Creation Story	Link Between Main Products and Society..... 7	
	Group Network 9	
	Message from CEO..... 11	
	Long-Term Vision "Shibaura Vision 2033" 15	
	Materiality and KPI..... 17	
Value Creation Strategy	Value Creation Model..... 19	
	2023–2025 Mid-Term Management Plan 21	
	Message from CFO..... 23	
	Value Creation through Businesses 25	
	> Fine Mechatronics Business..... 27	
	> Mechatronics System Business 29	
	> Vending Machine & Systems Business..... 31	
	Discussion with Outside Directors 33	
	Foundation for Value Creation	ESG Management and Sustainability
		Promotion Structure..... 35
Management System..... 37		
G Governance..... 39		
E Environment..... 43		
Performance Data	S Social..... 47	
	Key Financial Data for the Past 10 Years 53	
	Non-Financial Data 55	
	Stock Information..... 60	

Editorial Policy

The Shibaura Mechatronics Group is publishing its Integrated Report from this fiscal year, combining the content provided in the Annual Report and CSR Report that had been released in the past. This report aims to communicate the Shibaura Mechatronics Group's medium- and long-term visions and strategies to its shareholders, investors and a wide range of stakeholders as a story of consistent value creation. This Integrated Report 2023 covers initiatives primarily aimed at achieving the newly established Shibaura Vision 2033, and includes details of progress towards both financial and non-financial targets, and strategies taken by each business segment.

Scope of the Report
FY2022 (April 1, 2022 to March 31, 2023).
* The report may include some topics from before and after this period.

Organizations Covered
Shibaura Mechatronics Corporation, five domestic affiliated companies, and four overseas affiliated companies. In this report, "the Company" refers to Shibaura Mechatronics Corporation, and "the Group" refers to Shibaura Mechatronics Corporation and its nine domestic and overseas affiliated companies. If the scope of aggregation for the listed data differs, further details will be provided.

Publication Date
September 2023

Guidelines Referenced
* Sustainability Reporting Standards by Global Reporting Initiative (GRI) * International Integrated Reporting Framework by IFRS Foundation
* Guidance for Collaborative Value Creation 2.0 by Ministry of Economy, Trade and Industry

Note on Our Future Outlook
Descriptions about our future outlook contained in the Integrated Report were provided by the Company based on currently available information. They can be widely different from actual results, etc. depending on future economic conditions, the fluctuation of market trends, etc.

* All trademarks in this report are the property of their respective owners.

Our Journey of Value Creation

The Shibaura Mechatronics Group traces its roots back to 1939 when it took over some of the businesses of Tokyo Shibaura Electric Co., Ltd. (current Toshiba Corporation). Ever since then, it has continued to deliver a wide array of value while responding to social trends and the needs of customers.

1942 Commenced operations at Ofuna Plant

The Company acquired a machine tool plant located in Ofuna, Kanagawa Prefecture, and began operations as the Ofuna Plant (current YOKOHAMA Operations), which produced wireless radios, electric winches, electric trimmers, DC transformers, and more.



Ofuna Plant at the start of operations

1969 Listed on the Second Section of the Tokyo Stock Exchange

1972 Transferred to the First Section of the Tokyo Stock Exchange

1945 Shifted operations to the private segment

After the end of the Second World War, shifting operations from the military segment, which was the primary area of business, to the private segment was considered a pressing issue for maintaining and continuing operations of the Company. Examples of ventures into new business segments include the applying the core technology of motors to underwater motors in the industrial field, and using DC motors to develop washing machine motors or fan motors for air-conditioning systems.



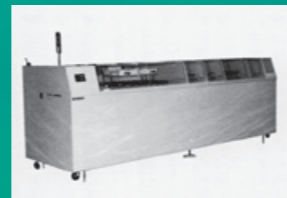
Industrial DC motors

1991 Merger with Tokuda Seisakusho Co., Ltd.

The Company merged with Tokuda Seisakusho Co., Ltd., a manufacturer of chemical dry etching equipment and sputtering equipment used for film coating of compact discs (CDs). This produced synergistic effects in the equipment business that generated even further business growth.

1986 Expanded into wet cleaning equipment business

The Company developed flat panel display cleaning equipment, and expanded the cleaning business in response to growth in flat panel displays used for computers. It then applied the cleaning technology developed in the flat panel segment to the semiconductor field, and embarked on development of wafer cleaning equipment.



Liquid crystal panel cleaning equipment

1996 Began full-scale business expansion overseas

The Company established the overseas subsidiary Shibaura Technology International Corporation for sales and services of semiconductor manufacturing equipment in the U.S. This was followed by subsidiaries in Taiwan, South Korea, China, and other regions as part of a comprehensive sales and service network for customers based overseas.



U.S. Office at the start of operations

1998 The birth of Shibaura Mechatronics

The Company merged with Toshiba Mechatronics, a manufacturer of die bonders and TAB mounted devices, which led to the birth of Shibaura Mechatronics. The merger formed a single manufacturing equipment company capable of covering the front-end and back-end processes for semiconductor manufacturing equipment and FPD manufacturing equipment.



Inauguration ceremony

2007 Constructed new plant building for cutting-edge segments

A new plant building capable of producing 10th generation substrates was constructed at YOKOHAMA Operations to meet growing demand for LCD panel manufacturing equipment and increasing sizes of LCD panel displays.



Plant building at YOKOHAMA Operations

2022 Transferred to Prime Market of the Tokyo Stock Exchange

2020 Semiconductor segment becomes the core business

Sales of global niche top products* like single-wafer Si cleaning equipment and single wafer wet processor for high temperature chemical. Net sales in the SPE segment exceeded net sales in the FPD segment.

* Products for which the Company is seeking to become the global leader in niche segments



Single wafer wet processor for high temperature chemical

1939 Founding

Part of the building and machinery at the Toshiba Tsurumi Plant was borrowed to commence operations. At its founding, the Company was named Shibaura Kyomachi Seisakusho but in December the same year this was changed to Shibaura Engineering Works Co., Ltd., name previously used by the predecessor of Toshiba Corporation. At its founding, the Company primarily produced equipment for the military.



Link Between Main Products and Society

The Shibaura Mechatronics Group is creating economic and social values, and facilitating the development of a more affluent society, by leveraging its strengths centered on core technologies—including precision mechatronics, cleaning, bonding, etching, vacuum processing, and sputtering—it has developed and honed over the years.



Digital Infrastructure

Supporting digital infrastructure such as data centers catering to IoT, 5G, AI and the ever-expanding data-driven society.



Digital Devices

Contributing to the development of products designed for a comfortable and affluent lifestyle, like smartphones, PCs, TVs, and gaming devices.



Mobility



Facilitating advances in next-generation mobility through sputtering of onboard automotive displays and various components.

Healthcare



Supplying products that ensure safe and reliable medical and nursing care amidst serious dwindling of population, declining birthrate and aging population.

Dining & Leisure



Providing products catering to inbound tourism, advancing cashless systems, and helping to resolve challenges related to labor shortages.

Group Network

The Shibaura Mechatronics Group is expanding its overseas service business with a key focus on Asia, and provides optimal solutions catering to the diversifying needs of customers.

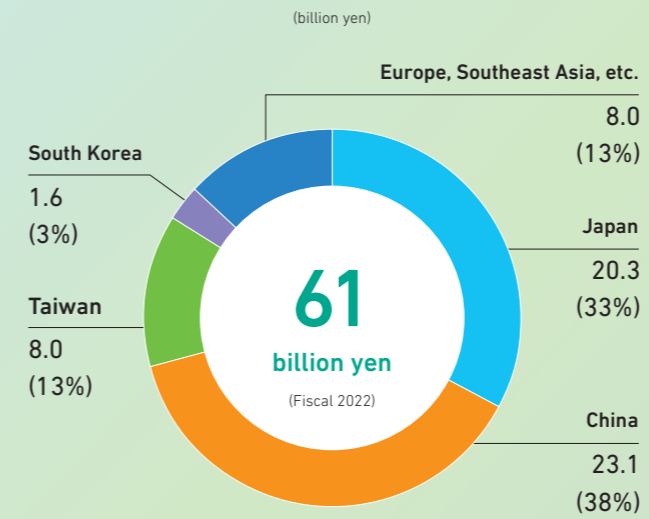
Domestic network

- Headquarters & YOKOHAMA Operations (Yokohama City, Kanagawa Prefecture)
- SAGAMINO Operations (Ebina City, Kanagawa Prefecture)
- Shibaura Eletec Corporation (Yokohama City, Kanagawa Prefecture)
- Shibaura Vending Machine Corporation (Obama City, Fukui Prefecture)
- Shibaura Precision Co., Ltd. (Hiratsuka City, Kanagawa Prefecture)
- Shibaura Engineering Works Co., Ltd. (Yokohama City, Kanagawa Prefecture)
- Shibaura Hi-Tech Corporation (Obama City, Fukui Prefecture)

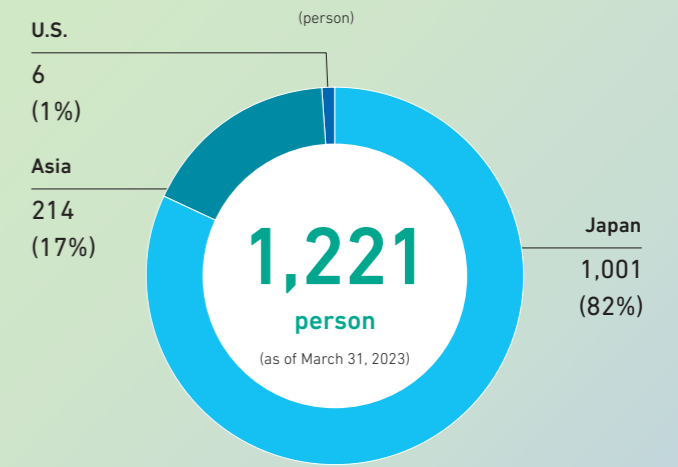
Global network

- Shibaura Technology International Corporation (U.S.)
- Shibaura Mechatronics Taiwan Corporation (Taiwan)
- Shibaura Mechatronics Korea Co., Ltd. (South Korea)
- Shibaura Mechatronics (Shanghai) Co., Ltd. (China)

Net sales by region (consolidated)



Number of regular employees by region (consolidated)



Message from the CEO



Formulating Shibaura Vision 2033, a management strategy with a longer term view
Striving for sustainable growth by maximizing our strengths

Keigo Imamura.

Representative Director
President and Chief Executive Officer
Shibaura Mechatronics Corporation

Business performance in FY2022 and review of previous mid-term management plan

Closing the final year of the medium-term management plan with higher revenue and profits, with sales, profits and roe exceeding targets

The business circumstances affecting the Shibaura Mechatronics Group through FY2022 saw customers revising their investment plans in the semiconductor memory segment following a slowdown in domestic and overseas demand for products like smartphones, computers and televisions. These trends have also impacted customers in the flat panel display (FPD) segment, with a decline in capital investments expected to continue over the long term. On the other hand, customer investment remains favorable in segments other than that of semiconductor memory, such as those of logic devices, power devices and wafers, which minimized the impact of the drop in demand for devices on the Group's core business.

These resulted in the Shibaura Mechatronics Group's net sales for FY2022 increasing over the previous year in the semiconductor manufacturing equipment (SPE) segment but decreasing in the FPD segment, recording 61 billion yen overall (23.8% increase year-on-year). The increased sales and improved profits from semiconductor front-end processes had a positive impact on profits, reaching the highest ever operating income of 10.9 billion yen (115.9% increase year-on-year).

During the three years between FY2020 to FY2022, the Shibaura Mechatronics Group focused on its Medium-Term Management Plan comprising the three basic policies of "Increasing global niche top (GNT) products," "Expanding the SPE segment" and "Increasing profit margins." The Company has four

groups of GNT products in the SPE segment, which have secured a high market share for silicon wafer manufacturing, photo mask manufacturing, wafer processing and module processing. By focusing our efforts on development and sales activities for these four core products groups, we reached a 2.2-fold increase in net sales of 41.5 billion yen for the SPE segment in FY2022, the final year of the Mid-term Management Plan, compared to FY2020, of which net sales of GNT products increased 2.4-fold over FY2020 to 27.1 billion yen.

Net sales of 61 billion yen in FY2022 exceeded the Medium-Term Management Plan target by 19.6%, with the operating income of 10.9 billion yen, ROS of 17.9% and ROE of 31.9%, significantly increasing the target figures respectively. We consider these results a testament to the preparation and improvement we made to our products to accurately meet the timing and requirements of our customers' semiconductor investments. Our procurement and business departments have coordinated seamlessly with our suppliers regarding the longer delivery schedules for parts to ensure a stable supply.

In contrast, research and development expenses reached 8.2 billion yen, falling short of the planned value of 9 billion yen, while the net sales ratio for the service business failed to achieve its target of 23%, remaining at 20%; these areas need to be addressed in the next Mid-term Management Plan.

Development of Shibaura Vision 2033

Proposal of a management strategy with long-term vision to help resolve social issues and achieve sustainable growth

We focused on predictions of future business circumstances with the view to achieving new growth by building on the foundation achieved with the previous Mid-term Management Plan. Investments in the semiconductor segment are likely to decline over the short term; however, over the medium- to long- term, the overall social transition to the digital realm into the future is anticipated to result in significant growth in the market as a whole. The FPD segment has also been anticipating the release of displays developed with new technologies like micro OLED (organic EL) and

micro LED. Instead of just adapting quickly to the cutting-edge technology in both of these segments, we also need to channel efforts for a host of societal challenges like working toward carbon neutrality, tackling climate change problems and addressing increasing geopolitical and supply chain risks. None of these issues can be resolved quickly, so we considered it to be essential to develop a management plan covering six years or ten years into the future, instead of the usual shorter span of three years. To achieve this, we formulated the Shibaura Vision 2033 by identifying



medium- to long-term changes and challenges related to the market, technologies, environment, and supplies. This outlines our ideal vision to achieve in a decade, by becoming “a corporate group which comprehends future issues of society and customers and the potential needs and actively offers proposals and solutions to grow with its customers.” We have set forth four key initiatives toward realizing this vision, and will be applying three Mid-Term Management Plans as the steps required to achieve them.

Start of new mid-term management plan 2023–2025

Targeting an operating income of over 10 billion yen by strengthening the foundation for new growth by leveraging initiatives for “investments aimed at sustainable growth”

The new Medium-Term Management Plan starting in FY2023 is positioned as Phase 1 of Shibaura Vision 2033. As outlined above, investments in the semiconductor industry are forecast to decline through FY2023, before rebounding again. In contrast, the FPD segment is currently undergoing the transition to next-generation devices. In both segments, strengthening the foundation toward achieving new growth forms the top priority in this Mid-term Management Plan, and we will be driving investments in earnest for this to once again aim to achieve our target of 10 billion yen in operating income for FY2025.

The first initiative will be “Further expansion of the SPE segment.” This will involve increasing market share by broadening the scope of GNT product groups to different applications, customers and areas. Along with this, continual development of new models and new products will cultivate the basis for next-generation GNT.

The second initiative will be to make a positive effort toward “Investments aimed at sustainable growth.” The Shibaura Mechatronics Group traces its roots back to various companies

The first area of focus is our Portfolio. In the SPE segment, this encompasses creating new GNT products to boost the existing lineup that represents our current forte, and expanding business. In the FPD segment, we will be laying the groundwork and picking up the pace of development of manufacturing equipment for new types or next-generation displays.

We will be working on improving added value in the second area of focus—Technology—by first accurately identifying the challenges and requirements of our customers, then making improvements to the service business that we could not fully achieve in the last Mid-term Management Plan. This will allow us to propose better integrated services and products to provide to customers.

Regarding the third of Human capital, we will actively advance recruitment activities with an eye to the future in order to develop human capital capable of accomplishing our long-term vision.

The final and fourth key area, Finance, will focus efforts on building up a financial foundation aimed at both potential growth and capital efficiency.

Reference [Long-Term Vision Shibaura Vision 2033](#) >>> P15

coming together to form a single entity—we have a sense of pride in the knowledge that there are very few individual companies around the world with such a technological foundation like ours, complete with engineers capable of covering the front-end and back-end processes of semiconductor manufacturing equipment, front-end and back-end processes of FPD manufacturing equipment, and vacuum processing equipment. We have planned total investments for research and development at 20 billion yen over three years, some 6.3 billion yen more than in the previous Mid-term Management Plan, and these funds will be used for facilitating R&D expenditures, setting up assessment facilities, and securing human capital required for R&D.

The third initiative of “Identifying challenges and needs” involves all our employees playing a role in a sequence of process flows, from sales to development, design, evaluation, production and commissioning, and servicing. It is of great advantage for us to possess the capability of covering all processes for providing customers with value. Everyone at the Company works to identify the needs and challenges that customers are facing and come up

with instant solutions, while focusing efforts toward new development topics by determining customers’ future issues and potential needs. With this approach, we will be able to bolster mutual understanding with our customers and build up a strong relationship of trust, and become a company that grows together

Materiality at the Shibaura Mechatronics Group

Determining materiality (priority issues) by reinterpreting CSR activities as sustainability issues

In June 2022, the Shibaura Mechatronics Group determined and announced its materiality. The Group had been implementing CSR activities as part of its sustainability initiatives, but with management emphasizing ESG becoming mainstream around the world, we embarked on reinterpreting our past activities in light of issues related to current sustainability related issues, to identify material issues that needed to be addressed.

We first formulated the Shibaura Mechatronics Group Sustainability Basic Policy, and then established the Sustainability Committee with the aim of implementing specific actions in line with the policy. We then established the parameters for identifying ESG issues, and from the plethora of issues raised, identified ESG issues that were deeply connected with the Shibaura Mechatronics Group’s management strategies, and assessed them as materiality. As a result of these steps, we identified four areas of materiality relating to our businesses, and five areas of materiality that form

Message to stakeholders

Facilitating future technical innovation to achieve ongoing growth for the group

With keywords like IoT, AI, 5G and 6G appearing more often, technical innovation throughout society is advancing at a rapid pace today. Looking forward, there is no doubt that the importance of semiconductors will continue to grow over the medium- to long-term. Similarly, long-term demand in the FPD segment will grow steadily, and there are high expectations for the release of innovative new devices. As an individual company with the unparalleled capability of covering the front-end and back-end processes of both semiconductor manufacturing equipment and

with our customers.

The fourth initiative is “Implementing sustainability management tied with materiality.”

Reference [2023–2025 Mid-Term Management Plan](#) >>> P21

our value creation foundation. We have assigned targets to these key issues, and will be working to achieve each target.

While I personally think that all nine of these matters are of great importance, I am particularly focusing on the target of reducing the amount of CO₂ emissions (Scope 1, 2) by 50% by FY2030 (compared with FY2019) related to climate change, as I recognize that operating businesses that meet this target is the key to ensuring that a company continues to exist. We have already rolled out various measures that include initiatives aimed at accomplishing this target.

“Ensuring diversity among our core human capital recruitment” is another significant challenge that the Shibaura Mechatronics Group is yet to achieve, and we are working to achieve the target of ratio of female managers 10% or more by FY2033.

Reference [Materiality and KPI](#) >>> P17

FPD manufacturing equipment, the Shibaura Mechatronics Group has forged a distinct position in these key growth areas. I am confident that our technologies will facilitate technical innovation and market growth for semiconductors and FPDs, while also achieving growth for the Shibaura Mechatronics Group.

I hope all our stakeholders are looking forward to what the Shibaura Mechatronics Group has in store over the next three years, or even the next decade.

Long-Term Vision Shibaura Vision 2033

In FY2023, we developed Shibaura Vision 2033, our long-term management vision that outlines our ideal vision to achieve in a decade. Through this vision, we aim to maximize value for customers by providing products and services designed to resolve issues they may have in the future.

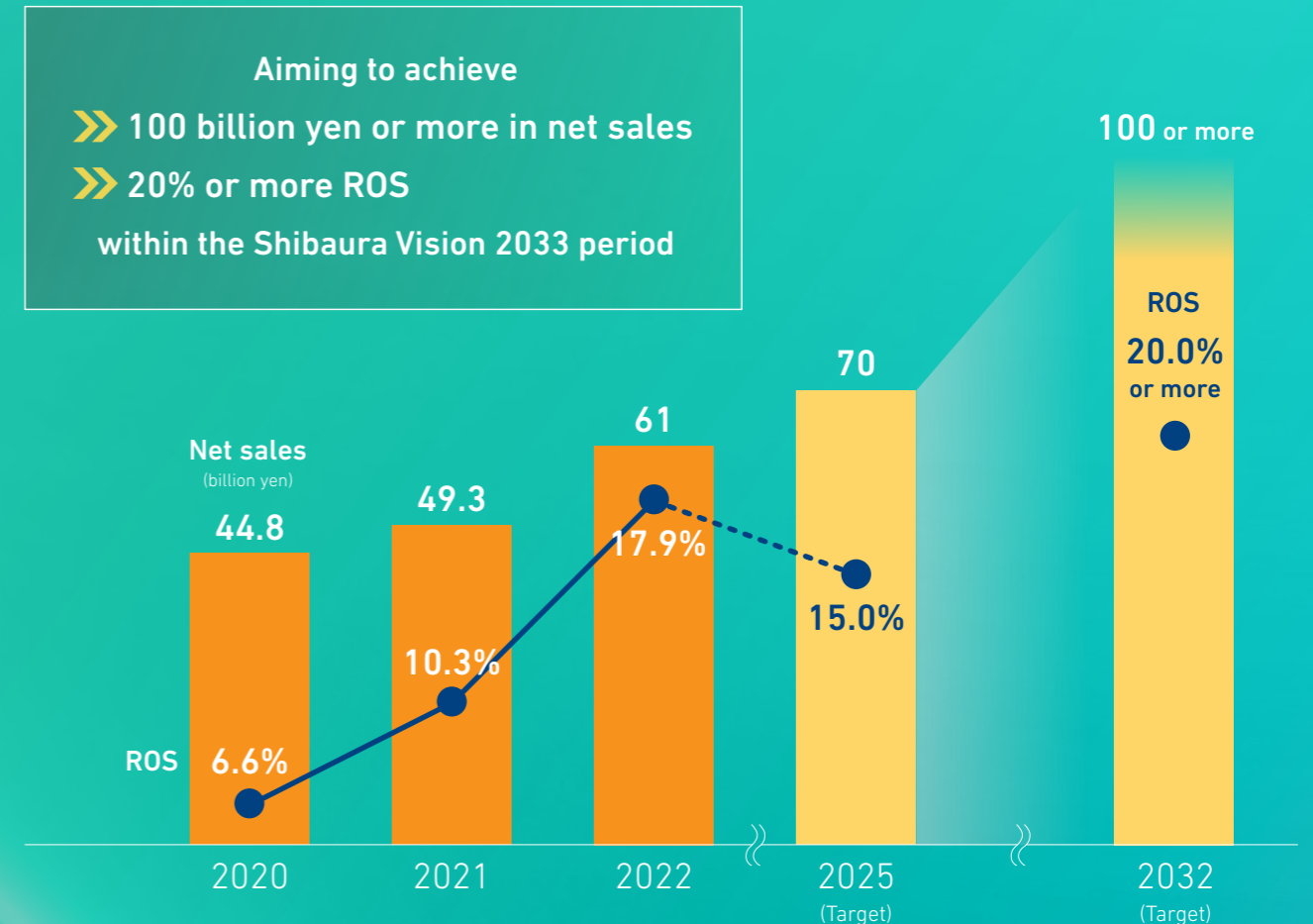
Ideal Vision in a Decade

A corporate group which comprehends future issues of society and customers and the potential needs and actively offers proposals and solutions to grow with its customers



Key initiatives toward achieving this vision

Portfolio	Technology	Human capital	Finance
<ul style="list-style-type: none"> ● Semiconductor manufacturing equipment (SPE): Further growth centered on expanding global niche top products ● Flat panel display (FPD) manufacturing equipment: Increase new models and next-generation products 	<ul style="list-style-type: none"> ● Identify issues and needs, develop technologies leading to solutions, and incorporate them into products and services ● Increase overall added value with proposals that further integrate products and services 	<ul style="list-style-type: none"> ● Enhance skills of human capital for achieving the vision, and actively hire personnel for sustainable growth ● Increase business productivity, including DX promotion 	<ul style="list-style-type: none"> ● Maintain financial discipline for both potential growth and capital efficiency ● Achieve cash allocation focusing on business growth and shareholder returns



Social changes and challenges identified by Shibaura Mechatronics

<p>Market</p> <ul style="list-style-type: none"> ● Increase in semiconductor, FPD and other markets in line with advances in digital society like IoT, (Beyond) 5G, AI, AR, and VR 	<p>Technology</p> <ul style="list-style-type: none"> ● Development and production of cutting-edge semiconductors ● Training and securing engineers
<p>Environment</p> <ul style="list-style-type: none"> ● Considerations for carbon neutrality and environmental impact ● Efficient use of resources 	<p>Stable Supply</p> <ul style="list-style-type: none"> ● Capturing growing semiconductor demand, poor supply capacity ● Diversification and advancements in required functions ● Concerns over geopolitical risks

Materiality and KPI

The Shibaura Mechatronics Group is implementing sustainability management tied with materiality (priority issues) with the view to sustainable growth that Shibaura Vision 2033 is aiming to achieve. KPIs (key performance indicators) have also been assigned to each materiality, and the management team checks the state of progress and discusses the associated details of initiatives.

	Materiality	Ideal vision in a decade (medium- to long-term management plan)	Single-year target (FY2023)	Related SDGs	Materiality identification process
<p>Materiality relating to our businesses</p> <p>Focus on addressing materiality directly connected to business, and continue providing value and generating profits with the aim of enriching lives and boosting corporate value</p>	<p>Contribute to digital society by developing and supplying cutting-edge technology</p>	<ul style="list-style-type: none"> Develop and supply cutting-edge technology that anticipate social changes, and leverage digital technology to create a more affluent and creative society 	<ul style="list-style-type: none"> Net sales: 59 billion yen Operating income: 7.3 billion yen ROS: 12.4% ROE: 15.0% 		<p>Nine material issues that the Shibaura Mechatronics Group should strategically address have been determined in line with the Sustainability Basic Policy. The identification process is as follows. Going forward, we will continue revising materiality as needed, and hold a series of discussions to ensure details meet the demands of stakeholders.</p> <div style="border: 1px solid #00a651; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center; color: #00a651;">STEP1</p> <p style="text-align: center; color: #00a651;">Identify broad range of long-term social issues</p> <p>Created a list of social issues that are closely related to Shibaura Mechatronics Group businesses, based on international guidelines such as SDGs and GRI Standards as well as on information from external consulting companies.</p> </div> <div style="border: 1px solid #00a651; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center; color: #00a651;">STEP2</p> <p style="text-align: center; color: #00a651;">Examine priority issues for the Shibaura Mechatronics Group</p> <p>Shortlisted social issues were analyzed, examined and screened by discussing them at internal working groups, interviewing each officer, and obtaining the opinion of third-party experts.</p> </div> <div style="border: 1px solid #00a651; padding: 5px; margin-bottom: 5px;"> <p style="text-align: center; color: #00a651;">STEP3</p> <p style="text-align: center; color: #00a651;">Determine materiality</p> <p>Examined items were categorized and determined as material under materiality relating to our businesses and materiality that form our value creation foundation.</p> </div> <div style="border: 1px solid #00a651; padding: 5px;"> <p style="text-align: center; color: #00a651;">STEP4</p> <p style="text-align: center; color: #00a651;">Obtain approval and finalization at Sustainability Committee and Board of Directors</p> <p>Items were submitted as indicators for initiatives tied to sustainability management, together with the Mid-Term Management Plan, and confirmed with approval.</p> </div>
	<p>Contribute to maintaining and improving industrial competitiveness through R&D and production processes</p>	<ul style="list-style-type: none"> Enhance training of human capital with craftsmanship, create intellectual property and reinforce management, to maintain and improve industrial competitiveness as a company operating on a global scale 	<ul style="list-style-type: none"> Investment related to research and development: 20 billion yen (total for Medium-Term Management Plan 2023-2025) 		
	<p>Develop and supply environment-conscious products to contribute to a green society</p>	<ul style="list-style-type: none"> Develop technology and processes for reducing the amount of energy and raw material used, and press ahead with development and supply of products that reduce the environmental impact throughout the lifecycle of the Company's products 	<ul style="list-style-type: none"> Ratio of environment-conscious products sales to net sales: 85% or more 		
	<p>Contribute to customers' stable operation and productivity with quality and services</p>	<ul style="list-style-type: none"> Continue achieving globally resilient supply and operations of manufacturing equipment to help maintain customers' ongoing growth 	<ul style="list-style-type: none"> Ratio of service business sales to net sales: 20% or more 		
<p>Materiality that form our value creation foundation</p> <p>Reinterpret existing CSR activities in light of issues related to sustainability to implement them as part materiality and developed them into initiatives linked to increasing medium- to long-term corporate value</p>	<p>Respond to climate change</p>	<ul style="list-style-type: none"> Reduce CO₂ emissions (Scope 1 and 2) by 50% (from FY2019 level) by FY2030 Comply with Environmental Policy Accelerate initiatives throughout the entire value chain to achieve carbon neutrality Accelerate efforts tied to international initiatives 	<ul style="list-style-type: none"> Reduction in absolute value of CO₂ Promotion of green procurement Ratio of environment-conscious products sales to net sales: 85% or more Respond to demands for TCFD disclosure (scenario analysis, evaluation of risks and opportunities, set target values) 		
	<p>Mitigate environmental impacts</p>	<ul style="list-style-type: none"> Reduce industrial waste (maintain 99% or higher recycling rate) Disclose data on chemical substances Ratio of net sales of environment-conscious products: 85% or more Compliance with environmental laws and regulations Accelerate initiatives toward zero emissions of industrial waste 	<ul style="list-style-type: none"> Maintain 99% or higher recycling rate Reduce chemical substance contained in products Disclose data on chemical substances 		
	<p>Create environment in which diverse human capital can participate actively</p>	<ul style="list-style-type: none"> Ensure diversity among core human capital (ratio of female managers at 10% or more by FY2033) Create environment in which diverse human capital can participate actively 	<ul style="list-style-type: none"> Human capital planning in line with management vision (enhance hiring efforts) Pursue diversity, implement activities for hiring the elderly Promote training Comply with the Health and Safety Basic Policy Prevent occupational industrial accidents (severity, frequency) Promote employee health (health guidance and support) 		
	<p>Enhance supply chain management</p>	<ul style="list-style-type: none"> Partnerships based on relationship of trust and provision of open opportunities 	<ul style="list-style-type: none"> Comply with the Procurement Policy Dialogue with suppliers (support checks of compliance, hold CSR surveys) 		
	<p>Enhance governance</p>	<ul style="list-style-type: none"> Develop flexible and resilient risk compliance system Increase effectiveness of Board of Directors Promote constructive and active sustainability management Train and secure diverse management human capital Maintain appropriate tax reporting and payments that comply with laws and ordinances 	<ul style="list-style-type: none"> Identify priority risks and implement suitable measures through the Risk Compliance Committee Inspire strategic discussions at the Board of Directors meetings Streamline operation of the Board of Directors Develop and disclose specific targets of sustainability management Continue to deliberate the director compensation and personnel system Organize the basic approach for tax payments to formulate tax policy 		

Value Creation Model

The Shibaura Mechatronics Group puts its Corporate Slogan and Corporate Philosophy into practice through its business activities, and creates new value to build an even better future together with its stakeholders. It is also seeking to maximize its corporate value by earning trust from society with business processes tailored to ESG.

2023

Medium-Term Management Plan

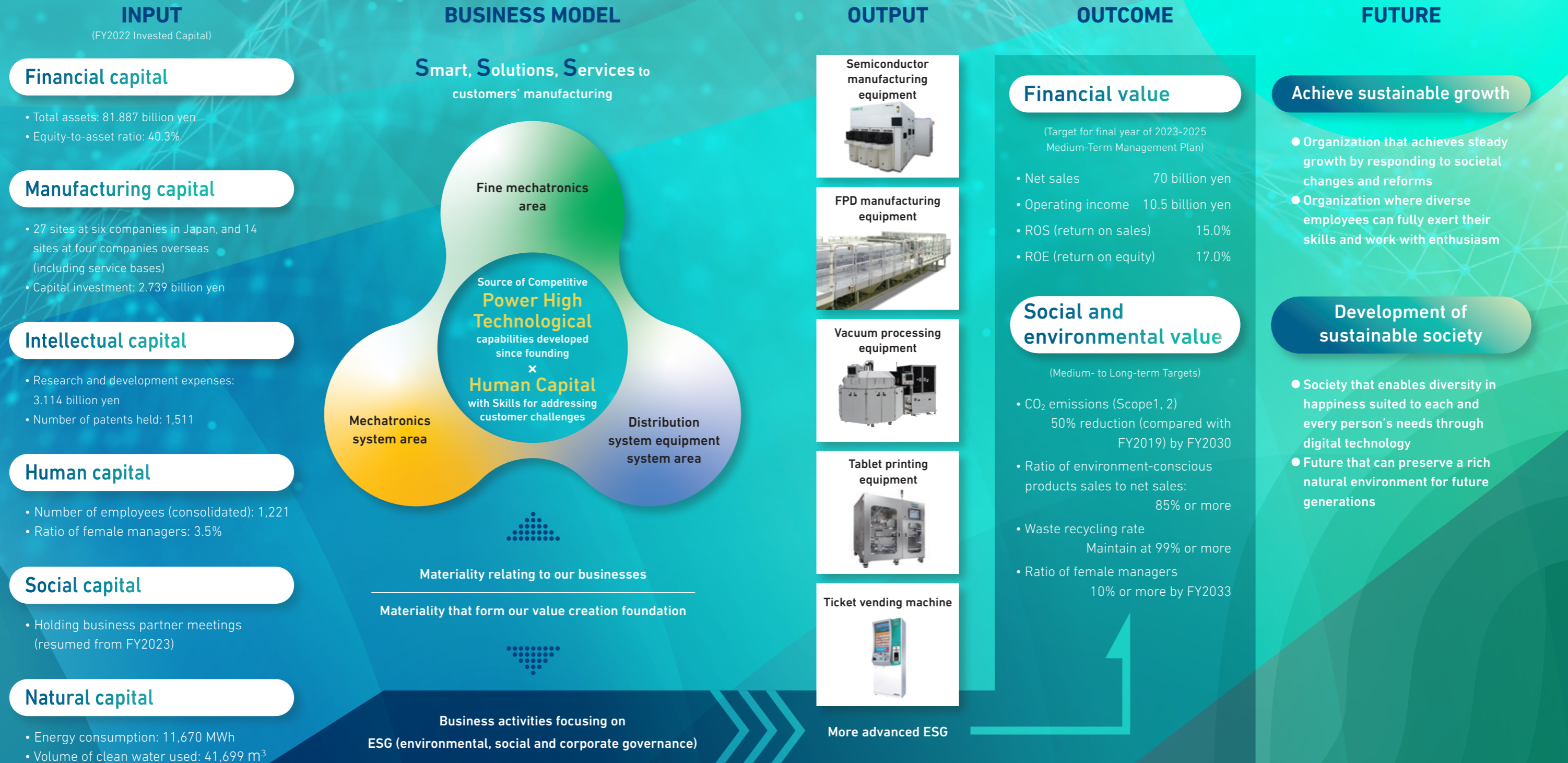
2025

2033

2050

Ideal Vision in a Decade

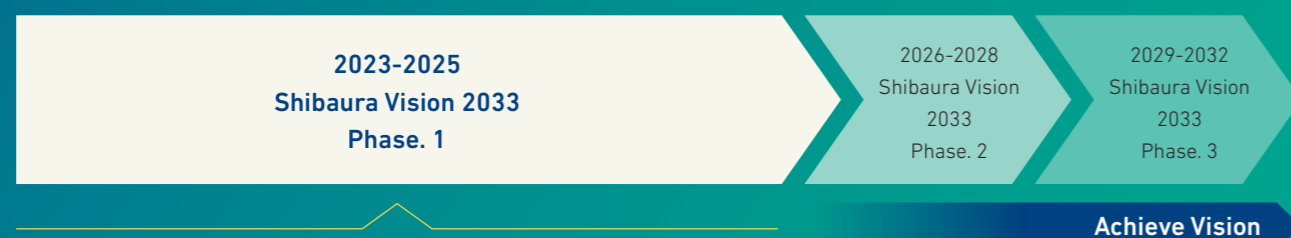
A corporate group which comprehends future issues of society and customers, the potential needs, and actively offers proposals and solutions to grow with its customers.



2023–2025 Mid-Term Management Plan

The Shibaura Mechatronics Group has established a new Medium-Term Management Plan ending in FY2025. The 2023–2025 Medium-Term Management Plan is positioned as the first step (Phase 1) toward achieving the long-term vision Shibaura Vision 2033. The entire Group will work in unison in pursuit of this Medium-Term Management Plan with the view to achieving growth as “a corporate group which comprehends future issues of society and customers and the potential needs and actively offers proposals and solutions to grow with its customers,” the ideal vision presented in the Shibaura Vision 2033.

Positioning of new Mid-term Management Plan



Targeting an operating income of over 10 billion yen again by strengthening the foundation for new growth with “investments aimed at sustainable growth” as the Pillar

Review of previous Medium-Term Management Plan and targets of this plan

The 2020–2022 Medium-Term Management Plan outlined the shift in direction from the existing FPD-driven portfolio to growth in the SPE segment in line with the policies of “Increasing global niche top (GNT) products,” “Expanding the SPE segment” and “Increasing profit margins.” The goal was to build a presence as a corporate group with global niche top products in the SPE segment while retaining its position as a core supplier for the FPD segment. The strong results of initiatives implemented over this three-year period are evident in business performance, with net sales of 61

billion yen, operating income of 10.9 billion yen, ROS of 17.9%, and ROE of 31.9% recorded for FY2022, the final fiscal year of the plan—these figures greatly exceed the initial financial targets.

The 2023–2025 Medium-Term Management Plan is targeting net sales of 70 billion yen and operating income exceeding 10 billion yen again in its final year of FY2025, by strengthening the foundation for new growth to achieve “Shibaura Vision 2033” as the core initiative for “Investments aimed at sustainable growth.”

Financial targets

	2020–2022 Mid-Term Management Plan			2023–2025 Mid-Term Management Plan Shibaura Vision 2033 Phase. 1		
	FY2022 Initial Target	FY2022 Result	Compared to FY2022 Target	FY2023 (Forecast)	(FY2024) (Target)	(FY2025) (Target)
Net sales	51 billion yen	61 billion yen	+19.6%	59 billion yen	68 billion yen	70 billion yen
Operating income	5.1 billion yen	10.91 billion yen	+113.9%	7.3 billion yen	9.5 billion yen	10.5 billion yen
ROS	10.0%	17.9%	+7.9pt	12.4%	14.0%	15.0%
ROE	13.0%	31.9%	+18.9pt	15.0%	17.0%	17.0%

Priority topics of 2023–2025 Mid-Term Management Plan

With the pace of digitalization advancing at an even greater rate throughout society, the following four initiatives have been set as key items in the 2023–2025 Medium-Term Management Plan to ensure a competitive edge, so that the Shibaura Mechatronics Group can contribute to society with cutting-edge technologies via

its manufacturing equipment for semiconductors, FPD and other devices, and associated services. Accomplishing the targets of ESG-related indicators, one of the four initiatives underpinning sustainability management, will also be channeled toward further growth.

Category	Specific measures
Further expansion of SPE segment	<ul style="list-style-type: none"> Expand the existing proven product lineup of global niche top products to cover a broader scope (applications, customers and areas) to increase market share even further Continual development of new models and new products to cultivate the basis for expanding next-generation global niche top products Further strengthen coordination with third parties like customers and research institutions Secure personnel and areas capable of responding to increases in production in a flexible manner
Investments aimed at sustainable growth	<p>[Research and development]</p> <ul style="list-style-type: none"> Continue focusing efforts on investing research and development expenses into the SPE field Enhance assessment facilities for creating a more dynamic development and assessment system Plan approximately 20 billion yen of investments over three years of the new Mid-term Management Plan <p>[Human capital]</p> <ul style="list-style-type: none"> Active hiring and training with a long-term view Develop systems and an environment where anyone can work in a lively manner
Identify issues and needs	<ul style="list-style-type: none"> All employees of the entire group, regardless of rank or position, will identify customer issues and needs more actively and accurately through all business processes, from sales through to service Provide new niche top products and high value-added services stemming from the identified customers’ issues and needs Strengthen trust and mutual understanding with customers through these steps, and then leverage these to propose future technologies, products and services
Promote sustainability management tied with materiality	<ul style="list-style-type: none"> Focus on addressing materiality directly connected to business, and continue providing value and generating profits with the aim of enriching lives and boosting corporate value Reinterpret existing CSR activities in light of issues related to sustainability to implement them as part of materiality and develop them into initiatives linked to increasing medium- to long-term corporate value

Message from CFO



Working on improving profitability toward achieving the ideal vision in a decade with a focus on capital efficiency

Kenichi Ikeda

Director, Executive Vice President, Executive General Manager of Corporate Management Division
SHIBAURA MECHATRONICS CORPORATION

Achieving the highest ever operating income since 2004 and improving financial health indicators

Demand for IoT, 5G, AI and other technologies grew in FY2022, and the semiconductor (SPE) segment played a key role in spearheading business performance primarily due to efforts for increasing global niche top (GNT) products made under the 2020–2022 Mid-Term Management Plan. In addition to the booming market for semiconductor front-end processes in the wake of a global shortage in semiconductors, the increase in revenue from GNT products and the recording of deferred tax assets resulted in an operating income of 10.9 billion yen and net income of 9.2 billion yen, surpassing the record high figures we achieved back in 2004. Our equity-to-asset ratio, an indicator of financial health, reached our initial target of more than 40% (achieved 40.3% as of March 31, 2023) following improvements to profits and repayments of borrowings, and the D/E ratio also improved to 0.26 (ratio of 0.41 as of March 31, 2022).

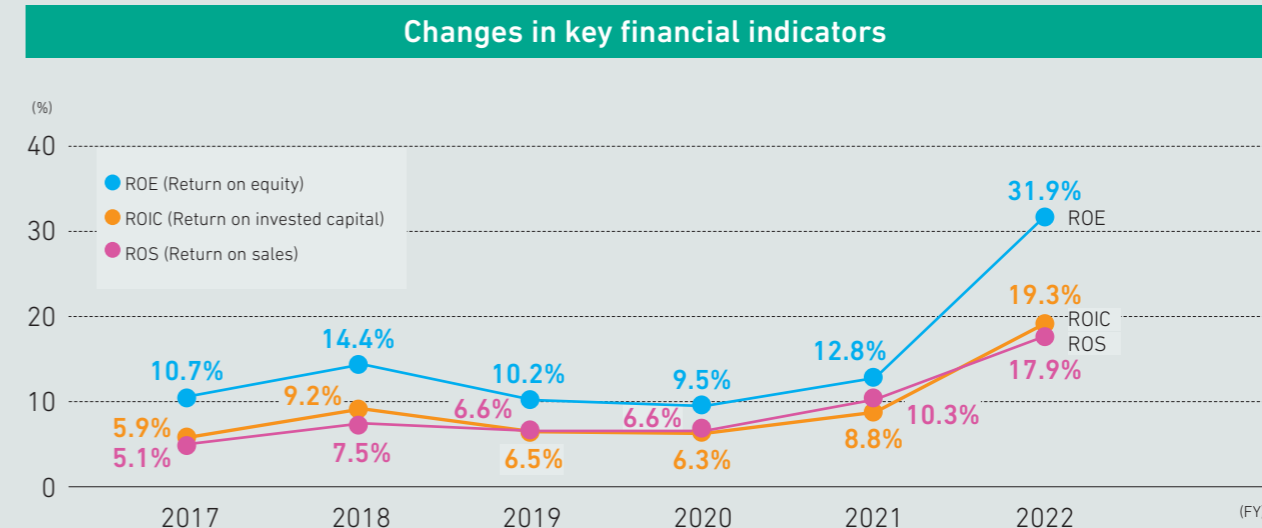
Making investments aimed at sustainable growth to achieve profit growth focused on capital efficiency

The Shibaura Mechatronics Group determined that it should be planning management strategies based on a medium- to long-term outlook, and established Shibaura Vision 2033 outlining our ideal vision to achieve in a decade by becoming “a corporate group which comprehends future issues of society and customers and the potential needs and actively offers proposals and solutions to grow

with its customers.” The new Medium-Term Management Plan spanning FY2023 to 2025 is viewed as Phase 1 of this vision, targeting net sales of 70 billion yen and operating income of 10.5 billion yen (ROS = 15%) by FY2025, by strengthening the foundation for new growth to achieve as the core strategy for “Investments aimed at sustainable growth.” The aim is to achieve 100 billion yen or more in net sales and ROS of 20% or more during the period covered in Shibaura Vision 2033, but as the core driver of growth for the Shibaura Mechatronics Group is the highly competitive GNT product lineup, a greater focus is being placed on earning capacity rather than the sheer volume of sales. We have adopted ROS (return on sales) and ROE (return on equity) as the core management indicators to achieve profit growth focused on asset efficiency. The figure for ROIC (return on invested capital), which is used to assess the efficiency of invested capital for generating profits, is also shared with the Board of Directors by comparing it against investment costs, and will be used as a key indicator for future business activities.

Until now, the Group has worked on expanding the SPE segment, with a focus on GNT products. The result of these efforts was that ongoing growth investments led directly to profits, with improvements being made to ROIC from 2017 on. ROIC reached a high level of 19.3% during FY2022 in particular, owing to an increase in highly profitable properties.

Despite both the SPE and flat panel display (FPD) markets likely softening, a decline in revenue and profit is expected for the Group’s business performance for FY2023 as we focus on making



more investments aimed at sustainable growth, and we will continue enhancing the management quality to reinforce our revenue base, by optimizing invested capital with efforts like managing receivables and inventories.

Accelerating research and development investments to build up a foundation for future earning capacity

The profits we gained from strong business performance will be allocated for growth investments to build up a firm foundation with which we will enhance future earning capacity. We have allocated around 20 billion yen, or 10.2% of net sales, to research and development investments over the three-year period of the new Mid-term Management Plan. This will be bolstered by around 7 billion yen in total allocated for the construction of a new advanced research and development building at Yokohama Operations for covering semiconductor front-end processes, and for expanding clean rooms for development assessment and testing of manufacturing equipment for semiconductor back-end processes at Sagami Operations, both with the aim of facilitating efficient development assessments with customers and spurring development of next-generation devices.

We recognize the importance for the Shibaura Mechatronics Group’s business portfolio of raising the sales composition of the high-profitability SPE segment that has a large market size, and enhancing operating efficiency of the FPD, vending machines and real estate leasing segments.

Pursuing profitability and improving asset management to focus efforts on increasing future stock prices and improving shareholder returns

In addition to growth investments, the Shibaura Mechatronics Group considers returning profits to our shareholders as one of its most important management priorities. We will be using a performance-based allocation policy, with around 30% as our target consolidated payout ratio. Further increases in profitability (20% or more ROS) will be made as part of Shibaura Vision 2033, and we are also planning to discuss measures for enhancing shareholder returns.

We will also be conducting a three-for-one stock split as of September 30, 2023. This will be done with the aim of increasing liquidity and trading opportunities in the stock market.

The stock price is calculated by multiplying the EPS (earnings per share) with the PER (price earnings ratio)—we are aiming to improve ROE with this EPS through efforts like pursuing profitability and improving asset management. For PER, we will be concentrating on disseminating information quickly and accurately, including creating opportunities for engaging in more active dialogue, so that the future potential of the Company is evaluated positively by investors.

Value Creation through Businesses

Achieving Further Technical Innovation and New Product Development

The Shibaura Mechatronics Group contributes to social progress through products that provide customers with new possibilities. We will continue taking on the challenge of creating new value for achieving a sustainable society by further enhancing the technological capabilities we have developed since our founding.

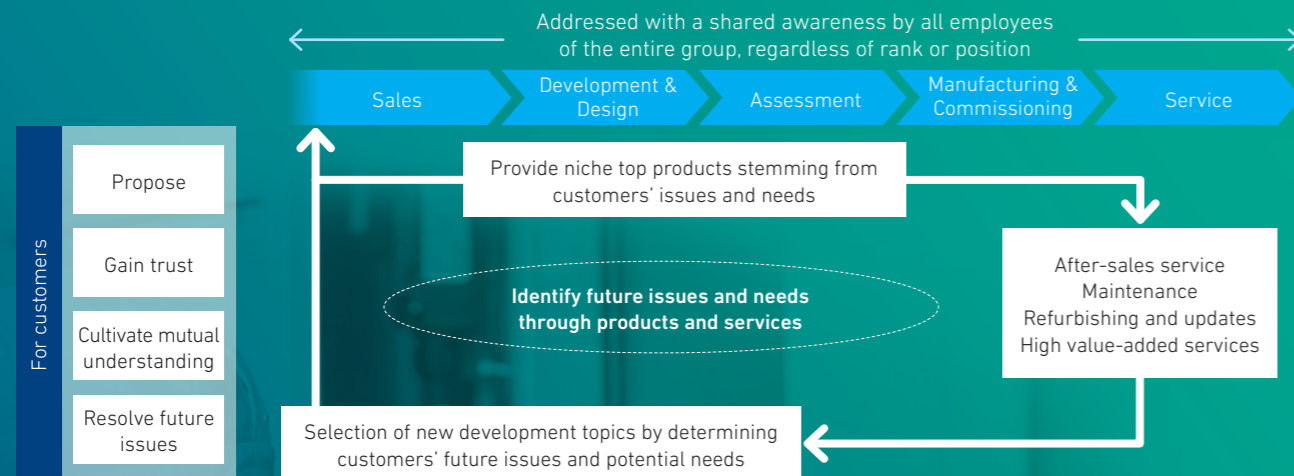


Establishing a company-wide product development system

To achieve the targets of the new 2023-2025 Mid-term Management Plan, the Shibaura Mechatronics Group is concentrating resources on "Further expansion of SPE segment" by increasing the share of the existing GNT product lineup and cultivating the basis for creating next-generation GNT products. Medium- to long-term initiatives implemented over the next decade as outlined in Shibaura Vision 2033 involve identifying future issues and potential needs of customers, and developing technologies, products and services leading to solutions for issues faced by customers and society.

All employees of the entire group, regardless of rank or position, will be identifying customer issues and needs more actively and accurately through all business processes, from sales through to service, and link them to the development of new products and services. We will be strengthening trust and mutual understanding with customers through this process, and then leveraging them to propose future technologies, products and services.

Processes for identifying challenges and needs



Increasing environment-conscious products

The Shibaura Mechatronics Group supplies environment-conscious products from the two perspectives of reducing environmental impact of products, and creating new business opportunities. We conduct qualitative evaluations of environmental impact during the development and design stages with life cycle assessments (LCA) of products, and also certify products as SM-ECP* if they have been rated as having an outstanding level of improvement over previous models in terms of factors like lower environmental impact and better functionality.

The ratio of environment-conscious products to net sales is viewed as a key indicator in the new Mid-term Management Plan, and the aim is to maintain net sales of SM-ECP certified environment-conscious products of 85% or more. This target was accomplished in FY2022, with a ratio of 95.9%, and we will continue attaining a high net sales ratio going forward.

* SM-ECP: Shibaura Mechatronics Environmentally Conscious Products

Reference Examples of Environment-conscious Products ▶▶ P28

Driving open innovation

Ensuring that we actively incorporate insight and technologies from external sources is essential for driving on the development of products stemming from societal issues. From April 2023, the Shibaura Mechatronics Group launched a working group and created a framework for driving company-wide open innovation,

with the aim of further enhancing coordination with research institutions, universities, consortiums, and other organizations. This framework will lead initiatives for developing new technologies for advanced, next-generation semiconductors as well as creating new businesses.

Construction of new research and development buildings

A new research and development building (tentative name) will be constructed at Yokohama Operations, primarily as a clean room for advanced research and development of manufacturing equipment for semiconductor front-end processes, with the aim of facilitating research and development in the semiconductor manufacturing equipment that will continue to grow in demand going forward. With a total floor area of around 4,300 m², construction is slated to begin in the summer of 2024 toward completion in the summer of 2025. Expansion of facilities at Sagamino Operations are also scheduled to begin from the spring of 2024, with around 650 m² new floor space to be construction for clean rooms chiefly used for

development assessment and testing of manufacturing equipment for semiconductor back-end processes.



Conceptual image of new research and development building (tentative name) at Yokohama Operations

Intellectual property strategy

The Shibaura Mechatronics Group views intellectual property as a vital management resource, and is making efforts for the strategic management of intellectual property. Patent supervisors appointed to each business unit and responsible staff at the intellectual property department are the main staff working to identify potential patents as part of their day-to-day tasks. They also organize and analyze the state of patent applications submitted by the Company and competitors, and incorporate them into the Patent Map* to create a more capable checking framework.

Efforts are also being made toward educational activities related to intellectual property to instill basic knowledge for young engineers, as well as providing education to give engineers a greater ability to come up with inventions. In FY2022, training courses related to patents were held, covering topics such as "Drafting patent specification" and "Acquiring and utilizing strategic intellectual property."

* Patent Map: A visual guide to trends and other data based on analysis of patent information

Number of patents held by our Group (No.)



Fine Mechatronics Business

The Fine Mechatronics Business mainly involves the manufacturing and sales of semiconductor and FPD front-end equipment. Semiconductor front-end single wafer wet cleaning equipment and single wafer wet processor for high temperature chemical in particular have secured a high market share, earning a high level of trust from customers.

SWOT analysis

S Strengths

- Proprietary technology with a competitive edge unrivaled by competitors has secured the leading market share in specific segments
- Diverse range of ideas arising from corporate culture stemming from four different roots
- Comprehensive support system covering all steps, from development to maintenance servicing

W Weaknesses (Issues)

- More efficient and enhanced production in response to expanding demands
- Deepening of value provided for customers that is not affected by price competition

O Opportunities

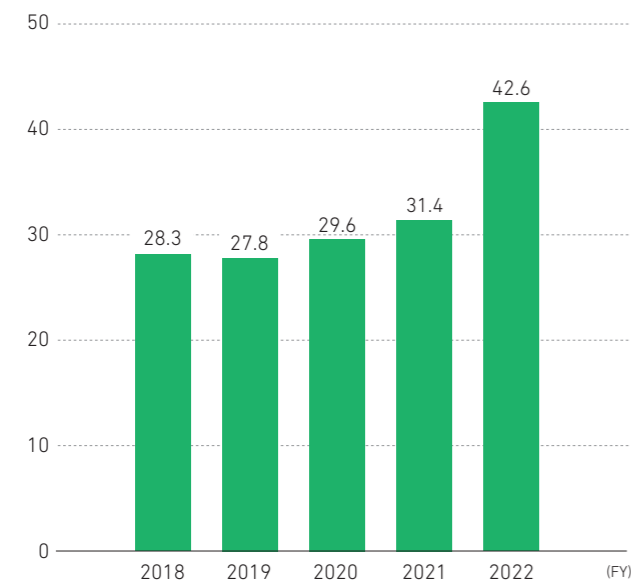
- Growing global demand for semiconductors anticipated over the medium- to long-term
- Adaptation to new technology advancements in the FPD segment
- Growing need to meet eco-friendly designs

T Risks

- Export restrictions to China for advanced types of semiconductors
- Ongoing global parts and materials shortages and longer lead times for deliveries

Trends in Net Sales

(billion yen)



FY2022 overview

Demand for semiconductor manufacturing equipment is increasing at a rapid pace given the recent boom in the global market for semiconductors, and the business division posted record high figures in FY2022 for the volume of orders received, net sales and operating income. Despite this, shortages in parts and materials resulted in longer lead times for deliveries, with severe disruptions affecting production efforts throughout the year. In light of these circumstances, a variety of measures were put in place to prevent delays in deliveries to customers.

The first of these was standardizing designs. Until now, the Company's basic stance was to design semiconductor manufacturing equipment based on the particular specifications required by each customer. Yet, establishing a reliable and efficient production system was deemed essential in order to respond to the

soaring demand in recent years. To achieve this, designs of certain common requirements were standardized as a means of boosting manufacturing efficiency.

The second was expanding coordination with subcontractors. We started outsourcing manufacturing, testing and other processes to third parties to channeling resources toward high value-added production efforts, allowing us to roll out initiatives capable of more balanced production in a flexible manner.

A closer look at the regions we operate in shows that until now,

our customers have mainly been located in China, South Korea and Taiwan, but we acquired new customers in the U.S. in FY2022. In April 2023, SHIBAURA TECHNOLOGY INTERNATIONAL CORPORATION, which covers sales, maintenance and servicing operations in the U.S., became a consolidated subsidiary. Our products are also beginning to make inroads into markets in Europe and Southeast Asia, and throughout the year, we were able to establish a firm foothold from which we can focus efforts on expanding globally.

Message from the division manager

Demand for semiconductor manufacturing equipment is slated to continue growing between FY2023 to 2025, the period covered by the new Mid-term Management Plan. To ensure that we can respond properly to this growth in demand, our most pressing challenges will be to further fine-tune our efforts toward "standardizing designs" and "expanding coordination with subcontractors," and boosting production capacity.

We need to make more active investments into development and create future global niche top products in order to achieve "Shibaura Vision 2033," the ideal vision of the Shibaura Mechatronics Group. Even at the earliest, our products can take five years from development until they begin to generate profits, and in some cases, around a decade for products leading to more mature fields. In light of this, we need to put in the required efforts for our current businesses, while also making sufficient investments right now in order to achieve the goal of our long-term vision in 2033.

More than just "functional value" pertaining to performance and quality, the value that we deliver to our customers also includes "emotional value." This type of value caters to the latent needs of customers, like equipment that is convenient to use, or the exceptional peace of mind provided to customers when they use our equipment. Looking forward, our business division will continue striving to provide customers with these two values.



Yoshiaki Kurokawa

Director
Senior Vice President
Executive General Manager of Fine
Mechatronics Division
SHIBAURA MECHATRONICS
CORPORATION

TOPICS

Semiconductor manufacturing equipment final cleaning equipment SC300-FC series

One of the Company's SM-ECP certified environment-conscious products. This single-wafer cleaning equipment can clean 300 mm wafers between semiconductor wafer processes and final cleaning. It provides outstanding cleaning performance and productivity based on the Company's extensive experience and technologies relating to single-wafer cleaning equipment. An enhanced wafer retention mechanism improves cleanliness on the front and back faces of the wafer, as well as the ends, resulting in excellent quality and productivity, as well as contributing to environmental conservation.

Features of environment-conscious product

- Supports fine particles of 19 nm or less.
The revised transfer efficiency and chamber improve cleaning efficiency by around 25%.
- Reduction of CO₂ emission
Improvements in the consumption of electricity, pure water and chemicals (solutions) have achieved a 10.6% reduction in emissions per wafer.



Mechatronics System Business

The Mechatronics System Business mainly involves the manufacturing and sales of semiconductor and FPD back-end process equipment as well as vacuum equipment. Back-end processes refer to the finishing steps as end products, and calls for new concepts aimed at technological development and functional improvements. We have extensive experience centered on semiconductor flip chip bonders and FPD bonders, capable of catering to the diverse needs of customers.

SWOT analysis

S Strengths

- High-precision mounting technology in the semiconductor segment
- Leading global market share in the FPD segment
- Solutions by merging front- and back-end process technologies

W Weaknesses (Issues)

- Cost competitive edge in the FPD segment
- Increase scope of human resources

O Opportunities

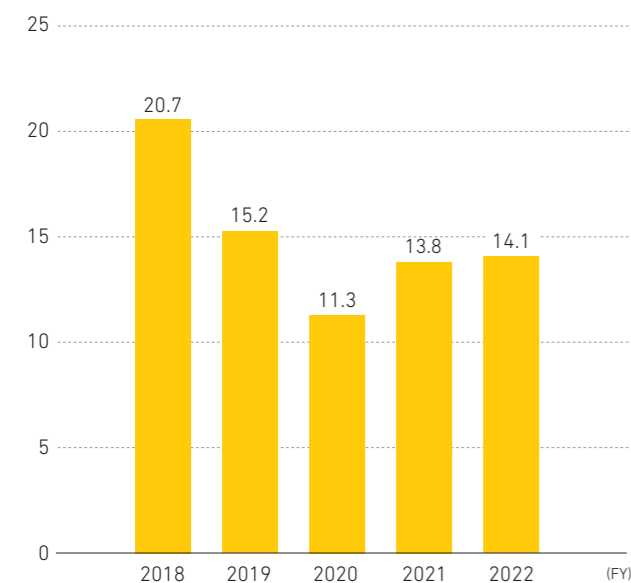
- Expansion of semiconductor market driven by fast pace of developments in 5G, AI, IoT, DX/GX
- Policies in each country for boosting and supporting semiconductor production
- Business opportunities created by participating in consortiums and forging partnerships with other companies

T Risks

- Orders affected by demand for end products and geopolitical risks
- Decreased share caused by competitors' technological capabilities and price strategies
- Ongoing global parts and materials shortages and longer lead times for deliveries

Trends in net sales

(billion yen)



FY2022 overview

Over the first half of FY2022, orders of both semiconductor and FPD back-end process equipment remained sluggish from being affected by market conditions, but the strong demand for vacuum equipment, particularly for electronic component applications, helped to bolster business results. Tough market conditions continued through the latter half of the fiscal year, and coupled with the longer lead times for parts and materials, production continued to suffer—this resulted in orders, net sales and operating income falling short of targets.

Yet efforts were properly channeled into the development of upcoming products, to ensure that we can stay up to date with customers' needs moving forward. A new development department was established in July 2022, and greater efforts were made to collect VOC (Voice Of Customer) and accelerate product and process development, to spearhead development and planning

capabilities. Capital investments were made into assessment facilities with the view to research and development into growth segments and new market fields.

We are also concentrating development to make sure we are able to keep up with the future rapid pace of GPUs (Graphics Processing Unit) for generative AI in particular that is drawing

increased attention in recent years. We are also pushing ahead with development of micro OLED that is anticipated to be leveraged for augmented reality (AR) and virtual reality (VR) applications. In addition to existing electronic components, we are moving ahead with development of new models of vacuum equipment with the aim of expanding applications to new product fields.

Message from the division manager

Our business division is involved in the timely development of products catering to customer needs, and also provides before- and after-service for improving quality to ensure peace of mind when using our products.

The overall market for the semiconductor segment is anticipated to continue growing moving forward, and as such, we will be aiming to secure a greater number of orders. Meanwhile, ultra-high precision hybrid bonders, a type of advanced semiconductor technology that will significantly affect future semiconductor performance, are expected to draw an even greater level of attention, so we are aiming to establish a foothold in the market as early as possible. In the FPD segment, we are developing equipment for new displays (micro OLED/micro LED), while in the vacuum processing segment, we are working to expand our share of the electronic component market and increase the scope of applications.

The most significant challenge we are facing is the human resources required for development. The ratio of human resources to net sales under each business unit changes yearly, so we are currently rolling out initiatives for greater flexibility, such as reallocating human resources within business divisions.

Development capabilities and resources are both vital for achieving sustainable growth—we will be seeking further growth with positive investments toward development as well as enhancing and training our human resources.



Kazutoshi Horiuchi

Director
Senior Vice President
Executive General Manager of
Mechatronics System Division
SHIBAURA MECHATRONICS CORPORATION

TOPICS

Semiconductor manufacturing equipment development of mass-production hybrid bonder model TFC-6700

The latest model TFC-6700 flip chip bonder caters to both hybrid bonding and fusion bonding processes. With ultra-high alignment precision of $\pm 0.2 \mu\text{m}$ (3σ), it is capable of working with next-generation packages such as chiplets and high-performance memory. The TFC-6700 also meets the industry's highest standard cleanliness Class 1, thereby reducing the effects of particles and achieve a high yield.

Features

- Ultra-high precision mounting of $\pm 0.2 \mu\text{m}$ (3σ)
Supports next-generation packages such as chiplets and high-performance memory.
- Provides Hybrid & Fusion processes
Extensive range of options available, such as non-contact transfer functions.
- Class 1 high cleanliness
Industry's highest standard cleanliness reduces particle effects and contribute to higher yields.



Vending Machine & Systems Business

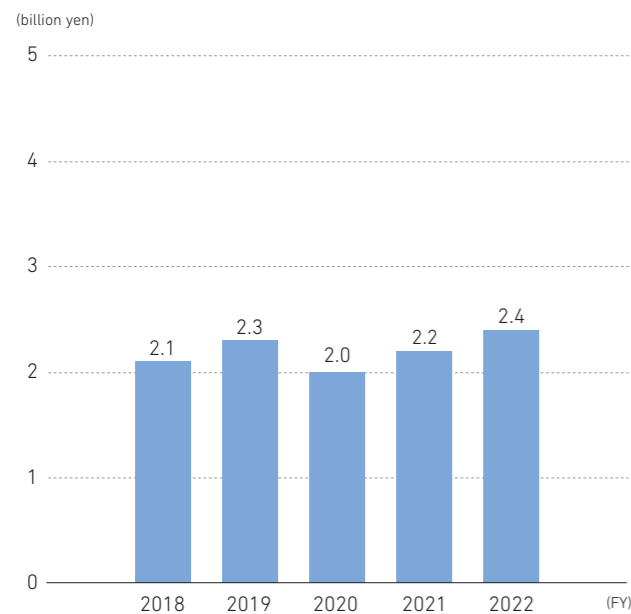
The Vending Machine & Systems Business is covered by our Group company **Shibaura Vending Machine Corporation**, which is involved in the development, production, sales, and maintenance services of various types of vending machines. The division also provides high-functionality vending machines, including those with remote management systems via networks, helping to provide us all with a more comfortable lifestyle.



SWOT analysis

<p>S Strengths</p> <ul style="list-style-type: none"> • Extensive track record and know-how spanning more than five decades • Development capabilities making combined payments possible, such as “cash + QR code payments” • Support system available 24 hours a day, 365 days a year 	<p>W Weaknesses (Issues)</p> <ul style="list-style-type: none"> • Influence by longer lead time for delivery of electronic components • Limited market scope of existing products
<p>O Opportunities</p> <ul style="list-style-type: none"> • Labor-saving needs following labor shortages caused by declining workforce • Changes in social conditions such as releasing new bank notes • Advances in new technologies like cashless payments and facial recognition 	<p>T Risks</p> <ul style="list-style-type: none"> • Suspension of operations caused by supply chain disruptions • Decline in consumption due to factors like the spread of infectious diseases

Trends in net sales



FY2022 overview

Shibaura Vending Machine Corporation’s products include ticket vending machines and general-purpose equipment*, primarily for use in the food service industry and at tourist facilities and amusement facilities. It also supplies various card readers that can be used, in addition to cash payments, with different combinations of “Suica,” “Edy” and other types of fare cards and electronic money, credit card payments, and QR code payments.

While the disruptions caused by the spread of COVID-19 settled down during FY2022, business was affected by the longer lead times for delivery of electronic components and soaring prices of materials, but net sales recovered to levels exceeding FY2019, before the onset of COVID-19. Demand for modifications to vending machines continued following the release of the new 500 yen coin in November 2021, which underpinned business results.

* General-purpose equipment: vending machine suitable for merchandise sales

FY2023 outlook and future prospects

With the first new banknotes in 20 years to be issued, modifications to banknote recognition units in existing ticket vending machines and general-purpose equipment, and demand for replacement machines is expected to intensify and increase in scale between FY2023 and FY2024.

Shibaura Vending Machine Corporation is planning to expand its production system to make the most of this business opportunity. Parts will be sourced in a systematic manner to tackle the longer lead times for delivery, as part of measures to prevent drops in production efficiency.

Another initiative for boosting production capacity is the new assembly plant that is under construction on our property in Obama City, Fukui Prefecture. The plant is slated to be completed at the end of January 2024, with operations planned to begin in February of the same year.

During this period of extraordinary demand given the release of new banknotes, we are planning the development of new and upcoming products leveraging our core technologies toward achieving Shibaura Vision 2033. We are preparing to gradually roll out these products starting in FY2026, once this extraordinary demand ends.

TOPICS

Customer case study 1

Enoshima Aquarium (ticket vending machine)

Fujisawa City, Kanagawa Prefecture

Enoshima Aquarium (known as Enosui) located along Katase coast in Fujisawa City, Kanagawa Prefecture. One of the most famous tourist spots in the Shonan area, drawing many guests who visit while on sightseeing around Enoshima.

The Enosui features many attractions, including Dolphin Show Stadium for enjoying dolphin performances and the Big Sagami Bay Tank, where you can see large schools of around 8,000 Japanese sardines swimming around. Shibaura Vending Machine Corporation’s KC-TS30IQ ticket vending machines have been used for the ticket counters at Enosui. These have combined payment options that can be used with cash, various electronic money systems, credit cards, and QR code payment, and staff can operate them from the rear.



KC-TS30IQ units installed at the ticket counters

Customer case study 2

Kamakura Hasedera Temple (ticket vending machine)

Kamakura City, Kanagawa Prefecture

Approximately five minute walk from Hase Station on the Enoshima Electric Railway. One of the largest Kannon statues in Japan is enshrined at Hasedera Temple, and guests visit to take in the scenery of each season, like hydrangea blossoms in summer and the autumn leaves. Hasedera Temple is definitely a popular tourist location in Kamakura, offering a blend of nature and Buddhist culture.

The entry ticket counter at Hasedera Temple had been using Shibaura Vending Machine Corporation’s vending machines since April 2012, but this has been upgraded to the new KC-TS30IQ model. At the time, the old model became a hit as it was the first tourist site ticket machine in the prefecture that was compatible with Suica. The new model has been upgraded from four languages to five, and instead of Suica being the only form of cashless payment, it can now be used with various forms of electronic money, credit cards, and QR code payments.



KC-TS30IQ units installed at the entry ticket counters

* Suica is a registered trademark of East Japan Railway Company.

* Edy is a prepaid type electronic money operated by Rakuten Edy, Inc.

* QR Code is a registered trademark of DENSO WAVE INCORPORATED.

Discussion with Outside Directors

We invited two of our outside directors to share their thoughts on the Shibaura Mechatronics Group's governance and future growth.

Management circumstances affecting the Shibaura Mechatronics Group, and the underlying role of outside directors

Takada: Since being appointed outside director in 2018, I have been paying particular attention to bringing my outside perspective to management, toward achieving sustainable growth and increasing corporate value for the Company. I am drawing on my many years of experience working at financial institutions like banks and securities companies, to provide objective information on financial and investment market trends and other metrics.

There are significant changes occurring with regards to management today—the market for the FPD segment, which had been the Company's main line of business in the past, is declining in size, but the market for the semiconductor segment continues to grow every year. More than simply avoiding risks, making the most of opportunities by taking sound risks in order to adapt and grow in line with these changes. Fortunately, the Company has an extremely capable lineup of human resources, so I would like to see efforts made to cultivate a sense of ambition and boost their conviction and enthusiasm toward achieving set targets and their ideal future.

Inaba: The four types of manufacturing equipment that the Company handles—for FPD front-end and back-end processes, and semiconductor front-end and back-end processes—is one of its most significant fortes, but its main line of business was in the FPD segment back in 2015, when I was appointed as outside director. Since then, the Company has shifted its strategy toward the semiconductor segment, leading to significant improvements in business results. The Company had to take some risks before capital investments and research and development investments turned into positive results in the semiconductor segment—and it took quite a long time. During this process, I witnessed the strong will of all the employees for overcoming challenges to reach the position it is in today.

The role of outside directors is to monitor management as well

I have high hopes that the Company will carve out a truly unique position for itself with its products and technology, and demonstrate its presence assertively in the global market. (Inaba)



Tomoko Inaba Outside Director

Registered as a lawyer in 1996, registered as a patent attorney in 2013 and entered Tatsumura Law Office as a partner lawyer from 2017. Has been the Company's Outside Director since June 2015.

as backing the risks required for investments. From my third-party perspective as a lawyer without conflict of interest, I will continue supporting these efforts with the view toward growth. When decisions relating to investments or other aspects are made, I put forward my opinions as a way of verifying the direction being taken at the Board of Directors, ensuring that proposals are based on strategic viewpoints in line with the Company's future vision.

Takada: In FY2022, the Company posted record earnings. This was indeed the result of the Company's efforts and capabilities—but it also came on the back of the booming semiconductor market. This segment is known for major fluctuations, so it will be vital to start building a resilient business framework right now in order to maintain momentum even when the market has cooled.

Long-term Vision Shibaura Vision 2033 and management strategy

Inaba: An open discussion session was held by management, including executive officers, to explore matters related to the Shibaura Vision 2033.

Takada: Technological advancements are occurring so fast in the semiconductor segment, and pausing for just a moment can result in competitors taking the lead. The Company needs to continue advancing its technology through research and development in order to maintain its level of superiority. To achieve this, Shibaura Vision 2033 places a priority on investments into research and development, as well as enhancing training of the underlying human resources. Shibaura Vision 2033 sets forth quite a high target of 100 billion yen or more in net sales, but I feel that the

Yuichiro Takada Outside Director

Entered Mitsui Bank, Ltd. (current Sumitomo Mitsui Banking Corporation) in 1978. Worked there as Managing Executive Officer as well as Director and Executive Vice President of Nikko Cordial Securities Inc. (current SMBC Nikko Securities Inc.), and Representative Director, President and Chief Executive Officer of Sakura Information Systems Co., Ltd., before becoming the Company's Outside Director in June 2018.

Company's current level of resources are lacking in order to achieve this goal. The Company will need to carefully plan in detail exactly how to allocate its capital, including its human resources.

Inaba: This marks the first long-term vision that the Group has developed, and it has also established a new Medium-Term Management Plan spanning from FY2023 to FY2025—the Company's approach of developing a three-year plan with a view to a decade into the future indicates to me its appetite for achieving growth. In addition to research and development and enhancing human resources, I think it will be important to tap into and expand new markets to achieve this vision. I hope to see the Company taking on the challenge of branching out into regions it has not been its core sales markets, such as the U.S. and Europe that are expected to make large capital investments.

Takada: It will be vital for the Company to showcase its presence externally in order to drive its push forward into new markets. It has products like equipment for cleaning after polishing wafers, which has secured a share of the global market, and if the Company can spread awareness of the technologies that only it can provide to the global semiconductor manufacturing segment, it should be able to channel this increased recognition for securing skilled human resources and enhancing market share.

Enhancing governance and expectations of the Shibaura Mechatronics Group

Takada: In recent years, the Company has been enhancing and improving its governance, in light of factors like revisions made to the Corporate Governance Code or moving from the First Section to

I would like to see efforts made to cultivate a sense of ambition and boost their conviction and enthusiasm toward achieving set targets and their ideal future. (Takada)

the Prime Market of the Tokyo Stock Exchange. For instance, deeming that transparency and objectivity was required for deciding personnel and remuneration for officers, the Personnel and Remuneration Advisory Committee was established in October 2019, with independent outside directors as key members. Both Outside Director Inaba and I were appointed members of this committee, and we played a role in revising remuneration for officers and developing the framework for management personnel. We also held numerous discussions, including with the Board of Directors, toward management evaluation with a focus on utilizing ROIC (return on invested capital) or ROE (return on equity) in order to facilitate understanding of the approach to capital efficiency. I believe that as a result of these efforts, a management structure befitting of a company listed on the Prime Market has almost been created.

Inaba: The current Board of Directors is structured in a way that clearly outlines where responsibilities lie from the stance of enhancing governance—it is centered on the president who is the representative director, and comprises the director overseeing corporate planning, finance and accounting, the two directors overseeing each business division, and us as the two independent outside directors.

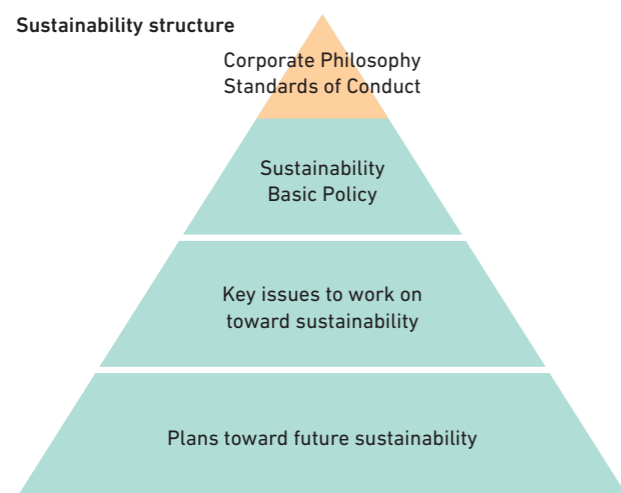
The Board of Directors will be required to listen more carefully to feedback from employees as an important way of further enhancing governance as well as increasing human resource skills, and to create a corporate framework where new hires and young employees in particular have the motivation to work at. I hope to be involved in discussions of these matters at the Personnel and Remuneration Advisory Committee, and report our findings to the Board of Directors.

Takada: That's true. Employees are one of the most important stakeholders, and I think it will be important to listen to feedback from employees and hold more discussions on improving internal systems aimed at enhancing human resources. I want the Company to become one that young job hunters want to work at and test their skills.

Inaba: To ensure future growth, I think the Company will need to carve out a truly unique position for itself with its products and technology. To achieve this, investments into capital and research and development need to be made in a carefully planned manner in order to leverage the Company's full potential. I have high hopes that the Company will move beyond its global niche top position, and in the future demonstrate its presence assertively in the global market. As outside directors, we will be supporting the Company in terms of governance toward achieving these goals.

ESG Management and Sustainability Promotion Structure

The Company considers responding to issues related to sustainability as one of its management issues and management strategies, and has formulated the Sustainability Basic Policy for the Shibaura Mechatronics Group by which it bases its actions on. We will strive to achieve sustainable growth by contributing to solutions to social issues and creating new value with consideration to ESG (Environment, Social, Governance).



Sustainability Basic Policy

The Shibaura Mechatronics Group views its sustainability initiatives as earning the trust of society and stakeholders by applying through its businesses the concepts underpinning its corporate slogan and management policy, and with ESG-oriented business processes.

We contribute to technical innovation and social progress as a company that supports manufacturing. To achieve this, we will always seek potential and make progress, and continue to be a company providing excellent technology and services to customers.

We will also continue to be a company trusted by the society and stakeholders. To this end, we will drive ahead with business activities focusing on ESG, and maintain sincere and high-transparency management.

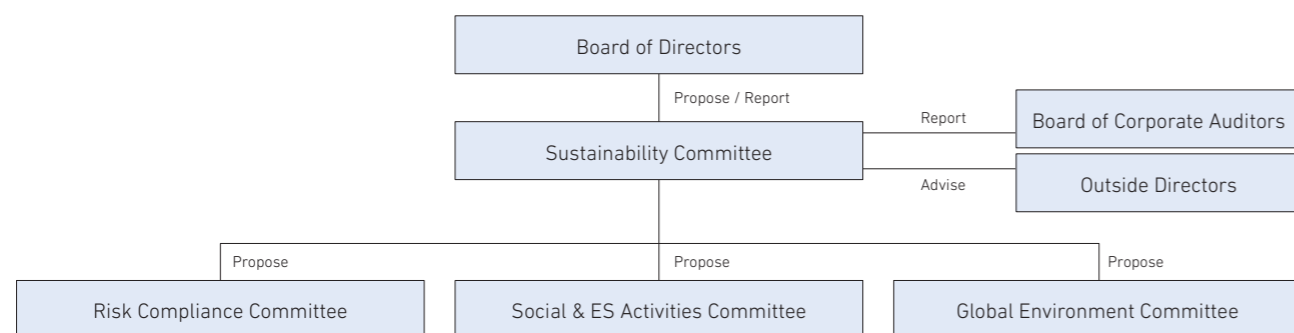
The Shibaura Mechatronics Group aims to enrich lives with these sustainability initiatives.

ESG Promotion structure

The Shibaura Mechatronics Group renamed its CSR Committee to the Sustainability Committee in FY2022, and incorporated viewpoints related to management strategy and management issues into its existing CSR activities in order to respond to social issues in an active and constructive manner.

The Sustainability Committee defined its target as its ideal vision in a decade and used backcasting to set short-term

measures and KPIs (key performance indicators), and is now working toward increasing corporate value. Its core missions include creating the basic policy and strategy related to sustainability, setting targets for the Global Environment Committee, Social & ES (Employee Satisfaction) Activities Committee, and Risk Compliance Committee, monitoring the state of progress toward these goals, and reporting them to the Board of Directors. This committee convened three times in FY2022.



Dialogue with stakeholders

The Shibaura Mechatronics Group engages in communication with many stakeholders through a broad range of opportunities, and strives to incorporate opinions and requests to business activities.

Stakeholder	Main Responsibilities of the Group	Main Methods of Communication
Customers	<ul style="list-style-type: none"> Provide trusted products and services Provide appropriate information on products Manage customer information in an appropriate manner 	<ul style="list-style-type: none"> Day-to-day sales activities Provide information via catalogs, websites and other media Contact points for inquiries (telephone, email, etc.) Information exchange at exhibitions, etc.
Shareholders & investors	<ul style="list-style-type: none"> Disclose corporate information at a timely and appropriate manner Maintain and improve corporate value Return appropriate levels of profit 	<ul style="list-style-type: none"> Shareholders meeting Financial results briefing Individual IR meetings for institutional investors IR forum for individual investors Integrated Report IR site
Procurement partner	<ul style="list-style-type: none"> Fair and equitable transactions Smooth information sharing Procurement activities giving consideration to human rights, labor, health and safety, and the environment 	<ul style="list-style-type: none"> Day-to-day procurement activities Business partner meetings CSR procurement questionnaires
Employees	<ul style="list-style-type: none"> Fair evaluation and treatment Respect for human rights and diversity Human resources utilization and training Consideration for occupational safety and health 	<ul style="list-style-type: none"> Training for employees Communicate information via the intranet Labor-management conferences Health and Safety Committee Risk consultation hotline
Local community	<ul style="list-style-type: none"> Respect for regional culture and customs Contribution activities for local communities Prevent accidents and disasters and workplaces Support local communities during disasters 	<ul style="list-style-type: none"> Social contribution activities (plant tours, summer festivals, etc.) Employee participation in community activities
Governments & municipalities	<ul style="list-style-type: none"> Comply with laws and regulations, payment of taxes Cooperate with government policies for improving and resolving social issues 	<ul style="list-style-type: none"> Dialogue with economic and industry organizations Various notifications, response to surveys/questionnaires

Initiatives in for greater internal awareness

To promote sustainability and ESG, it is vital that each and every employee takes the initiative toward learning and actions. To cultivate this type of organizational culture, e-Learning and other methods continue to be provided as a means of boosting internal awareness.

Communication with shareholders and investors

We engage in communication with shareholders and investors through channels such as the shareholders meeting, business results presentations, individual IR meetings for institutional investors, and IR forums for individual investors. Given the increasing level of interest in ESG investments in recent years, we began creating and disclosing our Integrated Report.

Further efforts will be made going forward to disclose both financial and non-financial information.

Management System



[A] Keigo Imamura
**Representative Director,
 President and Chief Executive Officer**

Apr 1985 Joined Toshiba Corporation
 Aug 1996 Joined the Company
 Apr 2009 General Manager of Bonder Division, Sagamino Operations
 Apr 2011 Deputy Executive General Manager of Production & Procurement Division
 Executive General Manager of Mechatronics System Division
 Jun 2014 Director, Executive General Manager of Production & Procurement Division
 Jan 2015 Director, Executive General Manager of Production & Procurement Division and
 General Manager in charge of Fine Mechatronics Equipment, Fine
 Mechatronics Division
 Jun 2017 Senior Vice President, Deputy Executive General Manager of Fine
 Mechatronics Division
 Jun 2019 Director and Senior Vice President, Executive General Manager of Fine
 Mechatronics Division
 Jun 2020 Director and Executive Vice President, Executive Manager of Fine
 Mechatronics Division
 Jun 2021 Representative Director, President and Chief Executive Officer (current position)

[C] Yoshiaki Kurokawa
**Director, Senior Vice President,
 Executive General Manager of Fine Mechatronics Division**

Apr 1988 Joined the Company
 Apr 2010 Manager of Engineering Group 2, Fine Mechatronics Division
 Jul 2015 Deputy Executive General Manager of Fine Mechatronics Equipment
 Management Department, Fine Mechatronics Division
 Apr 2017 General Manager in charge of Semiconductor Manufacturing Equipment
 Department, Fine Mechatronics Division
 May 2018 Deputy General Manager of Fine Mechatronics Division
 Jun 2019 Executive Officer, Deputy Executive General Manager of Fine Mechatronics Division
 Jun 2021 Director and Senior Vice President, Executive General Manager of Fine
 Mechatronics Division (current position)

[B] Kenichi Ikeda
**Director, Executive Vice President, Executive General Manager
 of Corporate Management Division**

Apr 1985 Joined Toshiba Corporation
 May 2001 Assistant Accounting Manager of Toshiba Semiconductor
 May 2006 Secretary of the Toshiba Public Relations Group (in charge of IR)
 Jun 2012 Group Manager of Corporate Audit Division (in charge of No. 4 Corporate Audit
 Division)
 Oct 2017 Executive Officer, Deputy Executive General Manager of Corporate Management
 Division of the Company
 Jun 2018 Director and Executive Officer, Executive General Manager of Corporate
 Management Division
 Jun 2019 Director and Senior Vice President, General Manager of Corporate Management
 Division
 Jun 2021 Director and Executive Vice President, Executive General Manager of Corporate
 Management Division
 Apr 2022 Director and Executive Vice President, Executive General Manager of Corporate
 Management Division and Executive General Manager of General Affairs &
 Human Resources Division
 Apr 2023 Director and Executive Vice President, Executive General Manager of Corporate
 Management Division (current position)

[D] Kazutoshi Horiuchi
**Director, Senior Vice President,
 Executive General Manager of Mechatronics Division**

Apr 1993 Joined the Company
 Apr 2010 Chief Specialist of Marketing & Sales Department 1 of Fine Mechatronics Division
 Apr 2013 Senior Manager of Marketing & Sales Department 1 of Fine Mechatronics
 Division
 Apr 2015 Deputy Executive General Manager of Fine Mechatronics Division
 Jun 2019 Executive Officer, Deputy Executive General Manager of Fine Mechatronics
 Division
 Jun 2022 Director and Senior Vice President, Executive General Manager of
 Mechatronics System Division (current position)

[E] Tomoko Inaba
Outside Director

Apr 1996 Registered as lawyer (member of Dai-ni
 Tokyo Bar Association), joined Hikari Sogoh
 Law Offices
 Jan 2002 Joined Tanso & Yamamoto Law Office
 (current InfoTech Law Offices)
 Jun 2013 Founded Shou Law Office
 Oct 2013 Registered as patent attorney
 Jun 2015 Outside Director of the Company (current
 position)
 Aug 2017 Joined Tatsumura Law Office, partner
 lawyer (current position)

[H] Kazuya Kaneko
Outside Auditor

Apr 1983 Joined Toshiba Corporation
 Apr 2006 Accounting Manager of Yokkaichi Plant
 May 2011 General Manager of Accounting
 Department, Infrastructure Systems &
 Solutions Company, Toshiba Corporation
 Sep 2015 Project Manager of Global Shared Service
 Promotion Project, Management Reform
 Division
 Jan 2019 Assistant Senior Executive Officer
 Jun 2019 Representative Director, President and
 Chief Executive Officer of Toshiba
 Insurance Service Corporation
 Jun 2021 Outside Auditor of the Company (current
 position)

[F] Yuichiro Takada
Outside Director

Apr 1978 Joined Mitsui Bank, Ltd. (current Sumitomo
 Mitsui Banking Corporation)
 Apr 2008 Managing Executive Officer of Sumitomo
 Mitsui Banking Corporation
 Oct 2009 Director, Vice President of Nikko Cordial
 Securities Inc. (current SMBC Nikko
 Securities Inc.)
 Apr 2012 Representative Director, President and Chief
 Executive Officer of Sakura Information
 Systems Co., Ltd.
 Jun 2016 Outside Auditor of Takaoka Toko Co., Ltd.
 Jun 2018 Outside Director of the Company (current
 position)
 Jun 2020 Outside Director (Audit and Supervisory
 Committee Member) of Takaoka Toko Co., Ltd.
 (current position)

[I] Noriko Itai
Outside Auditor

Oct 2000 Registered as lawyer (member of Dai-ichi
 Tokyo Bar Association), joined Aoki Sekine
 Tanaka Law Office (current position)
 Sep 2008 Worked at Herrick, Feinstein LLP (until Jul
 2009)
 Feb 2010 Registered as New York State, U.S.
 attorney
 Mar 2021 Industrial Property Council Member (until
 Mar 2023)
 Jun 2023 Outside Auditor of the Company (current
 position)

[G] Yasuhiko Yamato
Auditor

Apr 1984 Joined Toshiba Corporation
 Aug 1996 Joined the Company
 Jul 2004 General Manager of Sales, Bonder Division
 Apr 2009 Deputy Executive General Manager of
 Bonder Division
 May 2013 Assistant Executive General Manager of
 Fine Mechatronics Division, Administration
 Group Manager
 Jun 2016 Auditor (current position)

G

Governance

We will improve and enforce our corporate governance and ensure the transparency of facts by disclosing information appropriately and on a timely basis, aiming to be a company trusted by people.



Materiality Enhancement of Governance

With the changes of the times, corporate governance is becoming more and more important. Shibaura Mechatronics Group positions corporate governance as a management governing function to increase the medium- to long-term improvement of corporate value for shareholders, customers, employees and society, aiming for the enhancement of governance under the recognition that it is a top-priority issue.

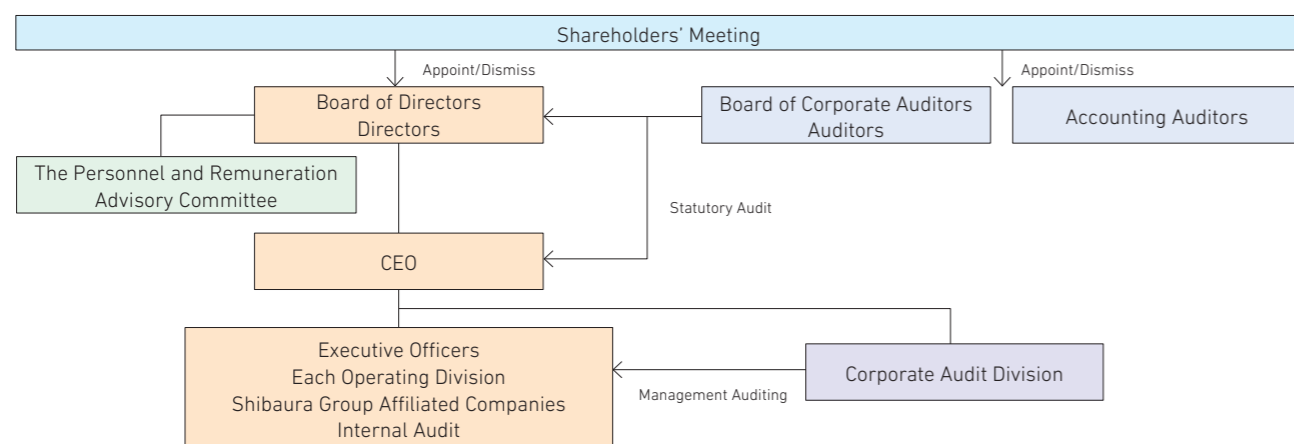
Corporate governance

Compliance with the standards of conduct

The Group has established the Shibaura Group Standards of Conduct as foundation based on which each executive or employee can take action. This clearly states the items to be complied with related to laws and regulations, social norms and ethical standards, and based on these standards of conduct, we develop and promote various systems and activities.

Shibaura Group Standards of Conduct		
1. Respect for Human Rights	7. Bribery	14. Corporate Communications
2. Customer Satisfaction	8. Environment	15. Advertising
3. Procurement	9. Export Control	16. Workplace
4. Production and Technology, Quality Assurance	10. Antisocial Groups	17. Information Security
5. Marketing and Sales	11. Engineering Ethics	18. Company Assets and Conflict of Interest
6. Competition Law and Government Transactions	12. Intellectual Property Rights	19. Community Relations
	13. Accounting	

Corporate governance system



Board of directors

The Board of Directors which consists of six members, with two of them being outside directors, aims for the enhancement of corporate governance. At a monthly board meeting, they not only make decisions on important matters related to management, but also request each director and executive officer to report on the status of the execution of services concretely, and promote the active exchange of ideas and discussion on management policies while having the execution of services supervised by other executive officers and auditors.

List of directors' skills

Name	Specialty
Keigo Imamura	Business administration and technology
Kenichi Ikeda	Business administration and accounting
Yoshiaki Kurokawa	Business administration and technology
Kazutoshi Horiuchi	Business administration and sales
Tomoko Inaba	Law
Yuichiro Takada	Business administration

* The descriptions on specialties are as follows.

Business administration: A person who has been appointed as an executive director or officer in the Company or another company, and is recognized to have knowledge and experience related to business administration.

Technology: A person who has belonged to the technical department in the Company, and is recognized to have knowledge and experience related to the Company's business.

Accounting: A person who has belonged to the accounting/finance department in the Company or another company, and is recognized to have knowledge and experience related to finance and accounting.

Sales: A person who has belonged to the Marketing & Sales Department in the Company, and is recognized to have knowledge and experience related to sales and marketing.

Law: A person who holds an attorney's license, and is recognized to have knowledge and experience related to law and compliance.

Board of corporate auditors

The Board of Corporate Auditors consists of three members, with two of them being outside directors. The auditors work together in close coordination and have prior discussions on proposals to be submitted to the Board of Directors at a Board of Corporate Auditors meeting, etc. held before a monthly board meeting, and actively participate in a Board of Directors meeting, expressing appropriate opinions on a timely basis. An auditor's audit is conducted based on the Auditing Standards for Auditors according to the audit policy and the plan determined by the Board of Corporate Auditors after discussions with the Corporate Audit Division operating as the Internal Control Department.

The auditors and the accounting auditors work together in close coordination with regard to the audit policy and the plan, engage in information exchanges, and have prior discussions.

Internal control department

The Corporate Audit Division (with four members) has been established within the Internal Control Department, as an organization under the direct control of President. This division, which has functions to enforce the Company's corporate governance and check compliance with corporate ethics and its spread, conducts internal auditing with a focus on the auditing of operational adequacy according to the audit policy and the plan determined by the executive general manager of the Corporate Audit Division after discussing with the auditors. It reports audit results not only to the representative director but also to the auditors. Regarding items to be improved, the Corporate Audit Division proposes an improvement plan, tracks its progress and encourages each department to voluntarily work toward improvements.

Corporate accounting auditor

PricewaterhouseCoopers Aarata LLC has been appointed as the accounting auditor, conducting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act.

Personnel and remuneration advisory committee

In the Company, the Personnel and Remuneration Advisory Committee has been established under the Board of Directors as a voluntary and independent advisory body mainly composed of independent outside directors, in order to strengthening the independence, objectivity, and accountability of the functions of the Board of Directors relating to matters such as the nomination and remuneration of management personnel and directors. The Personnel and Remuneration Advisory Committee is composed of three members, that is, two independent outside directors and one representative director, appointed as committee members by the resolution of the Board of Directors, where the representative director serves as a president and chairperson. This committee holds meetings as necessary to discuss matters relating to the personnel affairs and remuneration concerning directors and executive officers, and reports the results of a discussion to the Board of Directors.

Basic policy for remuneration of executives

Remuneration of directors

The remuneration of directors of the Company consist of performance-based bonus and stock remuneration using trusts, in addition to basic remuneration, for them to function as a sound incentive toward the sustainable growth of the Company. Their structure proportion is determined by considering the balance of fixed remuneration and variable remuneration.

- A basic remuneration is a fixed remuneration paid on a monthly basis, which is determined based on standards set according to the position that each one concurrently assumes as an executive officer.
- A bonus is a performance-based variable remuneration, which is determined by comprehensively considering a position, company-wide achievement level, financial conditions, etc. with addition and subtraction. Regarding the time and method for paying a bonus, it is to be paid after the end of each fiscal year of operations in one payment. The content of performance indicators based on which achievement level is measured is determined based on a consolidated performance for a single business year.
- Stock remuneration is a performance-based variable remuneration. The trust that the Company has established by contributing money acquires our shares, and the Company determines the number of points assigned to each director according to his/her position and certain standards related to company-wide achievement level, and then, our shares equivalent to the number of points will be delivered to each director through this trust. Our shares are to be delivered on a designated date every year. The content of performance indicators based on which achievement level is measured is determined based on the Share Delivery Regulations with reference to the Medium-Term Management Plan.

Remuneration of auditors

The remuneration of an auditor is determined with consideration for various factors such as full-time/part-time, the sharing ratio of auditing service, the content and the level of the directors' remuneration, for them to function as an incentive toward the establishment of high-quality corporate governance structure working harmoniously with the Board of Directors.

Reference Corporate governance report

https://www.shibaura.co.jp/company/csr/corporate_governance.pdf

Risk management

Structure of risk management and compliance promotion

Shibaura Mechatronics Group has established Risk Management Regulations grounded in the Shibaura Group Standards of Conduct, working on the promotion of risk management and compliance.

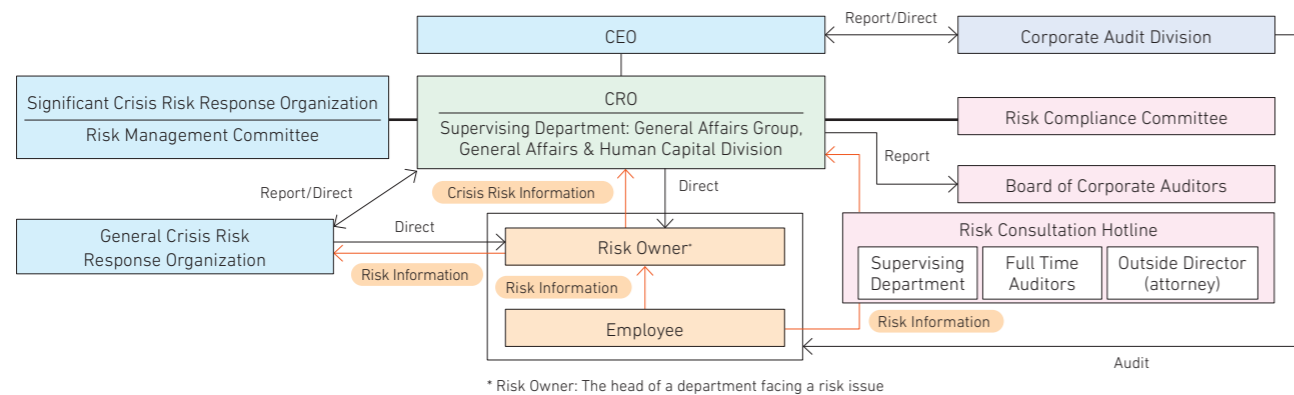
As a promoting system, we appoint a CRO*, and analyze and evaluate risks as well as supervise the formulation of basic policies and plans and their implementation status through the Risk Compliance Committee chaired by the CRO. In the case that a risk

or compliance violations become apparent, developing into a significant crisis risk requiring emergency measures, we will establish the Risk Management Committee and promptly respond to the situation on a company-wide level.

We have confirmed that there were no cases in which significant crisis risks became apparent with risks properly controlled in FY2022.

* CRO: Chief Risk-Compliance Management Officer

Risk management system

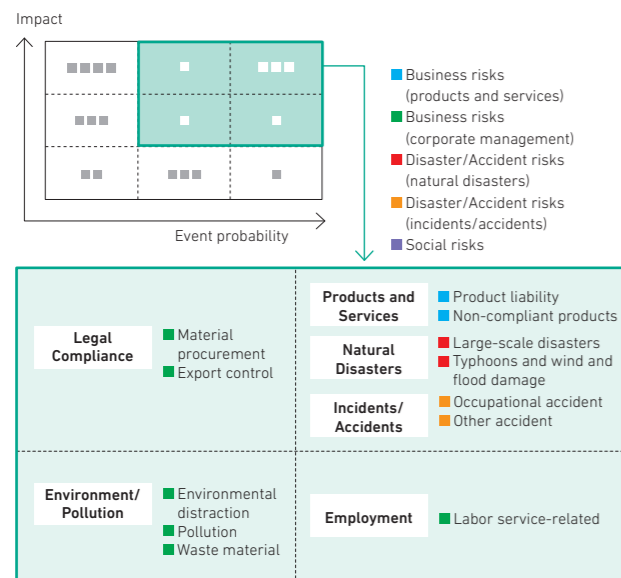


* Risk Owner: The head of a department facing a risk issue

Identification and evaluation of significant risks

The Company formulates a risk map consisting of two axes, impact and event probability, to grasp risks related to management activities. We conduct analysis and evaluation over risks by means of the Risk Compliance Committee, and make a report on the identified significant risks and their countermeasures to the Board of Directors. The items recognized as significant risks are as follows as of April 2023.

Significant risks faced by the Group



Information security

With regard to information possessed by Shibaura Mechatronics Group such as technical information, customer information and personal information, we have formulated an information security policy and making efforts to enhance security. More specifically, we clarify the roles and responsibilities of management officers allocated at each department and subsidiary company under the supervision of the CIO*, serving as a person in charge of the company-wide management of information security, and the Information Security Committee audits activity status while formulating policies and measures. We have established various rules similar to those of ours for the Group companies, domestic and overseas, to carry out measures related to information security.

* CIO: Chief Information Officer

Compliance

Basic policy for compliance

In recent years, it has become necessary to pay close attention to corporate ethics and social norms as well as to legal compliance in order to carry out sound business activities. Shibaura Mechatronics Group thinks that it is necessary for all officers and employees to recognize the importance of corporate social responsibility and behave with public decency. Under the Shibaura Group Standards of Conduct, we will comply with various laws and regulations, company rules, and social norms, making thorough efforts toward legal compliance.

Prevention of bribery

The Shibaura Group Standards of Conduct stipulate that officers and employees shall refrain from receiving any personal benefits from suppliers with regard to corporate procurement in (3) Procurement, and that they shall not make illegal or improper payments against lawful and sound business practices in (7) Bribery. We have also formulated the Anti-Bribery Guidelines, calling on all officers and employees to respond to the guidelines. There were no cases of violations in FY2022, including domestic and overseas group companies.

Export control

The Group observes laws and regulations concerning exports and export transactions, and operates in accordance with all legal requirements, in order to avoid involvement in any transaction that may impair the maintenance of international peace and safety. In addition to stipulating items related to export control in (9) of the Shibaura Group Standards of Conduct, we have established the

Basic Export Control Regulations, requiring all officers and employees to observe these regulations and avoid involvement with unauthorized trading. There were no cases of violations in FY2022, including domestic and overseas group companies.

Additionally, with central emphasis on education, to deepen basic understanding of export control, we have launched e-learning programs for all officers and employees, providing systematic group training courses for managers and heads of departments.

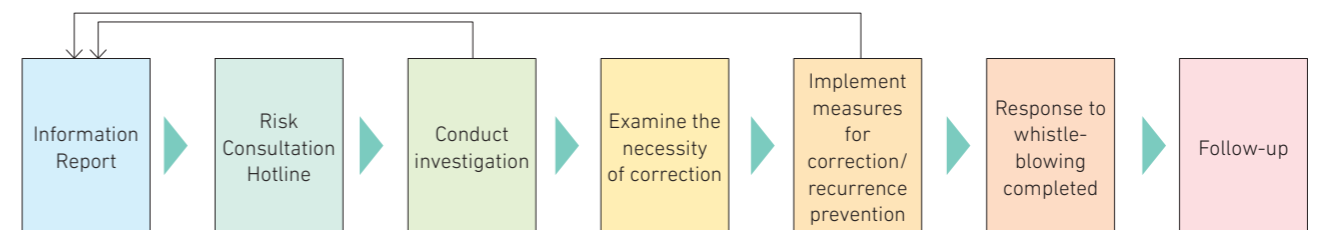
Report system (hotline)

The Group has established the Risk Consultation Hotline as a means to prevent risk associated with compliance violations, to detect any such risk at an early stage, and to ensure a prompt and appropriate response. This hotline service is operating as a consultation and reporting desk available for employees of the Group, which can be used anonymously. It is also possible for users of the service to request consultation with the risk compliance supervising department, a full-time auditor, or an attorney serving as an outside director of the Company.

When receiving a consultation or report, the risk compliance supervising department will conduct an investigation quickly and appropriately, and take necessary measures to rectify the situation. In addition, we are concerned to ensure that whistle-blowers who make reports to the system do not suffer for doing so. The Shibaura Group Code of Conduct clearly states that, as a protective measure, the names of people who make reports will not be disclosed without their consent. In FY2022, we received two consultations, regarding which we have already properly investigated and taken appropriate measures.

Risk consultation hotline

The risk compliance supervising department contacts the whistle-blower to confirm the details and provide feedback more than once as necessary (in case of an anonymous report).



Implementation of compliance education

With the aim of increasing officers and employees' knowledge and awareness on compliance, we implement compliance training every year. Mainly, in addition to a training program to provide knowledge on compliance necessary for each position, we

implement theme-based e-learning programs (information security, Subcontract Act, export control, etc.) basically for all employees of the Group.

E Environment

We are advancing our efforts to address climate change and reduce environmental impact through our entire business activity by promoting the provision of environment-conscious products aiming for the reduction of environmental impact at the point of use by customers, green procurement, climate change countermeasures in business facilities, the effective utilization of resources., etc.

Materiality Measures for Climate Change

Shibaura Mechatronics Group recognizes the reduction of greenhouse gas emissions and response to climate change risks as one of the most important tasks for businesses, and is promoting measures.

Efforts to reduce CO₂ emissions

Target value

Reduce CO₂ emissions (Scope 1 and 2) by 50% (from FY2019 level) by FY2030

Introduction of electricity from renewable energy sources

The Group has been considering the procurement of electricity from renewable energy sources, and has determined to introduce a corporate PPA*, preparing for its introduction. A company who purchases electricity will be allowed to benefit from stably procuring renewable energy for a long period of time at a fixed price. At the same time, this allows an electricity generation utility to secure customers, enabling it to operate the electricity generation business in a stable manner.

* Corporate PPA (Corporate Power Purchase Agreement): A long-lasting power purchase agreement made between a company, electricity consumer, and an electricity generation utility

Upgrading to energy-saving equipment

The Company has continuously updated our air conditioning equipment since 2015. While improving our working environment, we promote the use of a substitute for CFCs and aim to reduce electricity consumption (reduce average power consumption by about 20% from the level of the existing equipment).

Our forest in oita

As we own a forest (18.02 hectares) in Yufu City, Oita Prefecture, we concluded a 107-year profit-sharing plantation contract with Oita Prefecture in 1978, and the prefecture planted cedars and Japanese cypresses, and has grown and managed them.

45 years have passed since the plantation, and from now on, this contract area is to be managed not by conventional clear-cutting but by periodically repeated tree-thinning (about every 10 years) until the expiration of contract.

The space generated by tree-thinning will be used to promote the growth of natural vegetation with the aim of maintaining and enhancing public functions (water recharging function, soil run-off prevention function, biodiversity conservation, etc.) of the forest.

The decarbonizing function of a forest also plays an important role in absorbing and fixing CO₂, and the amount of CO₂ absorbed by cedars and Japanese cypresses in the land is estimated to be approximately 135 t-CO₂ per year. This CO₂ absorption accounts for 2.4% of the annual CO₂ emissions from our domestic Group (5,721 t-CO₂) in FY2022.



Around 1978

Now

Climate change scenario analysis

We have conducted an analysis on the impact of warming temperature caused by climate change on business activities, earnings, etc. from both aspects of risks and opportunities based

on commonly called 1.5°C Scenario and 4.0°C Scenario. We also set a goal of reducing CO₂ emissions (Scope 1 and 2) by 50% from FY2019 level by FY2030.

We are working to make a public announcement on the status of our activities toward achieving this goal according to the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

> Governance

In the Group, the Sustainability Committee chaired by the Representative Director, President and Chief Executive Officer conducts deliberations regarding social and environmental issues including climate change, and the Board of Directors decide on materiality (priority issues), the policy to address such issues and strategies. The committee reports to the Board of Directors how

materialities including measures for climate change are addressed and monitors their progress.

The Global Environmental Committee established under the Sustainability Committee as a promotion structure formulates concrete policies, and engaged promotion activities across the Group.

Reference ESG Promotion Structure >>> P35

> Strategy (process of scenario analysis)

We have conducted a scenario analysis on 1.5°C Scenario and 4.0°C Scenario to examine the impact of climate change on the Company's value chain in the future. After setting three terms, short, medium and long terms, we analyzed the impact of climate change risks on the Company's finances.

Climate scenario and business environment

Climate scenario	Business environment
1.5°C Scenario The scenario assumes that the rise in temperatures is restricted to less than 1.5°C compared to pre-industrial levels at a high probability as a result of a fundamental shift of the system	With the enforcement of policies and regulations, the social awareness and evaluation about environment and climate change will become higher than now.
	In response to the tightening of environmental regulation, the development of CO ₂ reduction technology, and customers' increased awareness of the environment, needs for energy-saving products and products contributing to the regulation of greenhouse gas emissions will grow.
	Demand for semiconductors will further expand.
	Cutting-edge technology contributing to the realization of low-carbon/carbon-free society will further advance.
4°C Scenario The scenario assumes that the temperature will rise by 3.2°C to 5.4°C compared to pre-industrial levels as a result of lack of action on global warming that exceeds current actions.	Renewable energy and next-generation smart cities will become commonplace.
	Carbon pricing will be introduced.
	The trend for low carbonization/decarbonization will not significantly change from the current social awareness of the environment, and climate change will continue to remain on the same line as in the past.
	The introduction of carbon tax and carbon pricing will progress, but only limitedly and partly.
	The severity of natural disasters (physical risks) including extreme climate events, etc. will increase.
	Due to increase in the number of typhoons, etc., there will be increased negative impact on the business environment caused by the disruption of supply-chain, a shutdown, delay in production and shipment, etc.
	Demand for semiconductors will expand.

> Risk management

In the Group, the Risk Compliance Committee chaired by the CRO constitutes a system to manage overall risks in an integrated fashion. Under this integrated management system, we identify climate change as the Group's significant risk and implement countermeasures. We will continue to implement measure to build resilience of the organization by responding appropriately while widely collecting and analyzing risk factors such as regulations related to climate change and their impact on our business.

> Indicator and targets

The Group has set a goal of reducing CO₂ emissions (Scope 1 and 2) by 50% from FY2019 level by FY2030, striving to reduce greenhouse gas emissions. We will also incorporate measures to address this challenge into the materiality, and implement such measures in line with our business strategies.

Evaluation of impact on finances

Classification			Risks/opportunities		Impact on finances	
					1.5°C	4°C
Risks	Shift	Political measures/ Legal regulations	Introduction of carbon pricing (carbon tax, etc.)	Carbon prices (carbon tax, etc.) imposed on CO ₂ emissions resulting in an increase in tax burdens.	Medium	Low
			Carbon emission targets and political measures of each country.	Tightening of CO ₂ emission regulations.	High	Medium
		Technology/ market	Decrease in sales due to failing to respond to society and investors' increased interest in environmental measures and customers' increased demand for environmental regulations.		High	Medium
			Decrease in sales due to delay in the development of environmentally conscious products and equipment for a carbon-free society such as manufacturing equipment, etc. effective for carbon neutrality.		High	Medium
			Advancement in supply chain enhancement and increased trend for carbon-free society leading to increase in procurement costs for raw materials, etc. associated with decarbonization.		Medium	Medium
			Decline in reputation and brand value due to delay in responding to environmental issues including climate change.		High	Medium
	Physical	Chronic	Escalation of abnormal climate.	Decrease in net sales caused by the disruption of supply-chain, a shutdown, delay in production and shipment, etc. due to increase in the number of intense rainfall, typhoons, etc.	Medium	High
				Acute	Increase in energy consumption at a plant due to rapid climate change (cost increase) and recovery costs.	Medium
Opportunities	Energy sources		Renewable energy, a green society, and carbon neutral society will become commonplace in pursuit of realizing a carbon-free society.	High	Medium	
	Products, services and market		Growing needs for environmentally conscious products and products added with environmental burden reduction technology.	High	Medium	
	resilience		Demands for semiconductors growing along with the popularization of a green society and a carbon neutral society.	Medium	Medium	
			BCP measures in preparation for natural disasters.	Low	High	

Materiality Reduction of Environmental Burden

A manufacturer bears a heavy responsibility to reduce the environmental burden generated by its business activities. Shibaura Mechatronics Group aims to ensure high-level compatibility between business activities and environment preservation by working on the overall streamlining of both product-oriented and business-oriented activities.

Efforts to reduce environmental burden

Target value

Maintain recycling rate for waste material at 99% or higher

Reduction of waste material

The Group works on the separate discharge of waste material, generation control, reuse, recycling, etc. to promote the effective use of resources. As a recycling rate for waste material has reached 99.9% now, almost all the waste material is utilized as reusable resource. We will strive to maintain the rate at 99% or higher.

as on the related laws and regulations, and the guiding principles of the country or region in which our business is conducted. Regarding the types and amount of chemical substances used by the Company, we have confirmed that their handling amounts are less than the amounts requiring the submission of notification according to the PRTR system (Amount of chemical substances handled by the domestic Group in FY2022: 228 kg).

Management of chemical substances

The Group implements proper management of chemical substances based on the guidelines established in-house as well

In the case of introducing a new chemical substance, it is necessary to perform a risk assessment, seek opinions from personnel in charge of safety and environment and industrial doctors, and receive their approval before use.

Efforts for green procurement

As stated in the Procurement Policy, the Group promotes the procurement of products friendly to the global environment. As one of the efforts, we ask our business partners to submit chemSHERPA* to grasp information on chemical substances contained in their products, components, materials, etc. We also visit major business partners to confirm the status of use of

environment-related substances, conduct an on-site investigation to ensure industrial waste is properly disposed, and give advice when necessary.

* chemSHERPA: An information transfer scheme developed and released by the initiative of Ministry of Economy, Trade and Industry in 2015. This allows information on chemical substances contained in products to be properly managed by the entire supply chain and transferred reliably and efficiently.

Environment management

Basic policy for environmental preservation

The Group has established the Sustainability Basic Policy to show the framework our environmental activities based on the Shibaura Mechatronics Group Sustainability Policy and carry out our environment management.

Environmental policy

Shibaura Mechatronics Group will, as an entity to support manufacturing, address environmental issues through businesses, and respond to society and stakeholders' expectations through activities meeting the needs of the times. We will also combine everyone's efforts to create significant power, and contribute to environmental preservation and the realization of a sustainable society.

- 1. Reduction of environmental burden in business activities**
The Group will work as one to promote environmental activities and work on the reduction of environmental burden at every process of business activity.
- 2. Providing environmentally conscious products**
Toward solving environmental issues faced by customers, we will provide environmentally conscious products contributing to the reduction of environmental burden.
- 3. Environmental code of conduct**
Each employee shall heighten awareness about environmental issues and act bearing responsibility for passing on the global environment in as good conditions as possible to future generations, in addition to complying with environmental laws.
- 4. Continuous improvements toward targets**
Aiming at targets, we will follow the PDCA cycle and make continuous efforts to improve environmental activities, working to improve our performance.
- 5. Cooperation with stakeholders and information disclosure**
We will actively communicate with our stakeholders to deepen mutual understanding and appropriately disclose environmental information.

Environmental management system

In the Group, the Global Environmental Committee indicates a direction as to how to address environmental issues, and take company-wide measures to promote compliance with laws and regulations and other rules, the reduction of environmental burden, and pollution control. The committee makes a report on the results and progress of such efforts to the Sustainability Committee biannually, and also makes a report on a medium- to long-term plan to the committee as well as to the Board of Directors, working to make continuous improvements by practicing PDCA while reflecting feedbacks received in their efforts.

Operation of environmental management system

The Group implements audits by an external agency based on the ISO 14001 standard, the criteria for an environmental management system, and internal environmental audits. Up to now, our domestic production bases (Yokohama, Sagamino, Obama, and Hiratsuka) have been certified according to ISO 14001.

Response to environmental laws and regulations

To ensure compliance with environmental laws and regulations as well as agreements with local governments, etc., we have established strict voluntary standards concerning air, water quality of public waters, noise, vibration, etc., working to prevent the violation of legal regulations. In FY2022, no violation of legal regulations occurred.

S Social

In recent years, social issues surrounding companies have been becoming increasingly diverse and complicated. Shibaura Mechatronics Group will earnestly address various social issues and aim to resolve them through business activities.

Materiality Creating Environment in Which Diverse Human Capital Can Participate Actively

The Group believes that human resources are a source of competitiveness and foundation for value creation. We are promoting the development of working environment and a personnel system that allow each one of the employees with various values and backgrounds to give full play to his/her ability.

Diversity

Target value

Ratio of women in managerial positions: reach 10% or higher by FY2033

Promotion of women's participation

The Group positions the promotion of women's participation as one of the key pillars in terms of administrative strategy, aiming to achieve the female manager ratio of 10% or higher by FY2033.

We have previously introduced various systems such as a flextime system, a short working hour system and a work-from-home system in response to diversification of work styles in order for female employees to continue to work regardless of childbirth, childcare, and other life events. We have made further efforts such as by extending the maximum childcare leave period in FY2023, by which a female employee is allowed to take child-care leave until the end of a fiscal year after her child turning three years old, instead of two years old. As a result of these efforts, the ratio of female workers returning to work after taking maternity leave and child-care leave has continued to be 100%.

We will aim to create an organization that allows motivated female workers to continue to participate actively through developing a working environment pleasant for everyone.

Child-care leave for men

Following the revision of the Act on Childcare Leave/Caregiver Leave in June 2021, we have actively taken measures to encourage male employees to take child-care leave. In FY2022, the ratio of male employees taking child-care leave showed a growing trend, with four taking child-care leave in the entire domestic Group (20%) and three in the Company (44%). From now on, we will inform available measures company-wide, and promote understanding of supervisors and colleagues to create a working environment in which this system can be easily accessed.

Support for participation by senior human resources

We have reviewed our personnel system for senior human resources in FY2022 for senior employees to participate actively for a long time while leveraging their extensive knowledge and experience. By expanding the framework for important evaluation and treatment applied in the management of senior human resources, we revised the system into the one ensuring adequate

Voice from a male worker who took child-care leave

When my second son was born, I took annual paid leave and child-care leave for nine months in total. After my first son was born, since my wife was at her parents' home during the COVID-19 pandemic when she gave birth, I could hardly see him, but after the birth of my second son, I was able to take a long holiday to spend irreplaceable time with my family. It has been really great staying with my family.

Toshimichi Shirai
1st Technical Department, Mechatronics System Equipment Management Division,
Shibaura Mechatronics Corporation



treatment in line with their abilities and performances.

At the same time, for senior employees who want to try a job different from a previous one, we have launched a measure to support them by allowing them to make a contract with an outplacement consulting firm.

From now on, we are planning to expand this system by

Human resource management

Human resource policy/human resource strategy

We recognize that labor shortage resulting from the declining birthrate and the aging population poses a pressing challenge for the Group. In Shibaura Vision 2033 formulated in FY2023, the Group highlights the enhancement of the strength of human resources playing a key role in achieving our long-term vision, promoting measures from both aspects of employment and training of personnel. More specifically, we will promote measures from various viewpoints such as by ensuring diversity through hiring of new graduates and experienced persons, providing education to improve skills of each worker, and properly deploying human resources, as well as by actively introducing an evaluation system.

Fair evaluation/treatment

The Company has introduced the Management by Objectives System as an evaluation system for employees. This system sets a job ability evaluation standard for each qualification and job type, and clearly specifies skills and abilities that the Company requires of employees. We will also work to clarify the evaluation process and make feedback effective in order for employees to make career plans and set goals for themselves, and use this system for their autonomic growth.

Education/training system

In order to accelerate our growth strategy while developing business globally, it is important to prepare educational programs suitable for the skill level or the position of each employee. Based on this notion, the Company has established the education and training system consisting of the four pillars of new-employee education, Job-based education, position-based education, and

carrying out career training for employees at the timing of their turning 30, 40 and 50 years old so that they can look at their second career at an early stage. We aim to get the best out our human resources by encouraging each one of them to actively think about his/her career plan and remain highly motivated.

project-based education. In FY2022, we held 84 courses, which were attended by a total of 1,441 workers, with the total length of time attended reaching 6,766 hours.

> New-employee education

In addition to providing education on basic knowledge required of a member of society, we provide initial education to raise the awareness of being a member of Shibaura Mechatronics Group and understand the importance of compliance with focus on the Shibaura Group Standards of Conduct.

> Job-based education

We provide employees with education according to their job types such as the sales department, the technical department and the production department, as well as to their business career.

> Position-based education

We provide employees from regular employees to management personnel with education for them to acquire knowledge and skills necessary at each position and to raise the awareness of their roles.

> Project-based education (company-wide common education)

We provide various types of education such as export control education and IT education for employees to respond to projects requiring specialized knowledge and skills.

Development of global human resources

Amid the expansion of our rapidly accelerating overseas business, the Group has been actively promoting the development of global human resources. For example, we are planning to invite employees with foreign nationalities employed by overseas local corporations to a domestic base for a limited-time personal exchange. In addition, as part of efforts to promote education for

Educational system of Shibaura Mechatronics Group

New-employee education

- Company system training
- Business etiquette training
- Business tool training
- Follow-up training

Job-based education

- Sales department
- Technical department
- Production department
- Staff department

Position-based education

- Management personnel training
- Newly appointed section manager-class training
- Newly appointed chief-class training
- Middle-level employee training

Project-based education (company-wide common education)

Export control education/IT education/environmental education/quality education/others

Language education/various correspondence education programs/self-development support

internationalization, we are supporting employees' self-development efforts by holding in-house foreign language classes (English and Chinese), subsidizing expenses required for language proficiency tests, and providing assistance to reward their efforts to improve their skills.

Development of managerial human resources

For the Group to achieve business growth, it is necessary to reflect various values in management; therefore, the Personnel and

Remuneration Advisory Committee is advancing deliberations on plans, including assignments to different departments, for selecting candidates to succeed managerial positions out of various human resources at an early stage, and developing candidates for future directors and executive officers. The committee will clarify what employees serving as management human resources are supposed to be, and establish a development plan and increase training content to this end.

Occupational safety and health/health and productivity management

Action policy and promotional system

The Group has established the Safety and Health Basic Policy to promote safety activities requiring the full participation of employees, aiming for the creation of a safe and comfortable working environment and the maintenance and promotion of physical and mental health.

With regard to the promotional system for safety and health, we

have had the individual Group company establish the health and safety committee, and cooperate with the Risk Compliance Committee to raise workers' awareness of safety behavior, and spread basic measures, etc. The Risk Compliance Committee also reports important matters related to occupational safety and health to the Sustainability Committee, and promotes company-wide efforts for continuous improvement.

Safety and health basic policy

Shibaura Mechatronics Group creates values that will bring people prosperity through providing a total solution for advanced component manufacturing equipment and treat all people including our customer, shareholders and employees with respect, while contributing to the realization of a better global environment and social development as a company on the earth.

To that end, we will place a top priority on life, safety and legal compliance in all business activities, and make Group-wide efforts to promote the creation of a safe and comfortable working environment and the maintenance and promotion of physical and mental health.

1. We position health and safety as one of the most important priorities for management, and strive to prevent occupational injury and disease in the workplace by continuous improvement in occupational health and safety management.
2. We comply with legally mandated requirements related to occupational safety and health, and also with policies and voluntary standards, etc. that the Company has determined to fulfill.
3. We set objectives and targets and act decisively to achieve the following:
 - (1) Eradicating occupational accidents and disease in the workplace caused by hazardous materials, dangerous work, etc., preventing accidents during travel to and from work, and mitigating of risks that may cause such accidents and disease.
 - (2) Maintaining and promoting physical and mental health in order to enable all employees to bring their individual capabilities into full play, especially by effectively assisting them in maintaining mental health and improving lifestyle-related diseases, considering the actual conditions of the Company.
4. We request our business partners to take initiatives for safety and health and support their efforts in order to ensure the safety and health of all people involved in the Group's business.
5. We contribute to society's enhancement of safety and health management standards through the active publication of our efforts for safety and health as well as their outcomes.

Occurrence of occupational accidents

In FY2022, there was no accident that required time off from work. We are raising the safety awareness of each employee and preventing occurrence of unsafe work by enhancing safety patrol at each workplace, and sharing information through monthly safety promotion activity.

We will continue to promote activities aiming at zero occupational accidents.

Implementation of safety education

The Company implements the safety education recommended by the Semiconductor Equipment Association of Japan (SEAJ). This is designed for workers working in a clean room to acquire necessary knowledge, aiming to provide basic knowledge to each worker, raise safety awareness, and ensure prevention and safety.

Activities for better health

The Company regularly provides physical checkups for employees, having continued to achieve 100% checkup rate among employees. Diagnostic outcomes are shared between patients and the health management room to actively provide health instructions, with the aim of reducing the rate of positive-findings. In addition, regarding employees who worked overtime longer than a certain period of time, we request all of them to completely fill out medical interview sheets and consult with an industrial doctor as necessary.

We try to detect physical and mental disorders at an early stage and prevent disease occurrence by taking these measures.

Mental healthcare

The Company conducts stress check on all employees annually. To support employees taking a leave of absence for long period of time due to a mental health problem, we maintain close collaboration with the health management room and make sure to continue to exchange information.

In the case that such employees wish to participate in a rehabilitation program provided by an administrative agency for returning to work, we will provide support for them to smoothly return to their workplace.

Respect for human rights

Basic policy and promotion system

The Group upholds Respect for Humanity in our Corporate Philosophy, aiming to build a better society through communication with customers, shareholders and investors, employees, suppliers and the people in the local community. The Shibaura Group Standards of Conduct also clearly requires us to respect basic human rights, refrain from discriminatory behavior, reject child labor and forced labor, and to ensure legal compliance. It also underlines respect for diverse individual values and characteristics and for privacy, and that Shibaura Mechatronics Group will not engage in a discriminatory or violent behavior for reasons related to race, religion, gender, nationality, disabilities, age or sexual orientation, or act in a way that ignores human rights, such as sexual harassment and power harassment.

In September 2023, we established the Shibaura Mechatronics Group Human Rights Policy as complementary to the Shibaura Group Standards of Conduct and the Shibaura Mechatronics Group Sustainability Policy. The Shibaura Mechatronics Group Human Rights Policy has been formulated with reference to the Universal

Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

The Sustainability Committee promotes initiatives for respect for human rights based on the Shibaura Mechatronics Group Human Rights Policy, and reports the status of such initiatives to Board of Directors. The system to manage human rights risks is based on the Shibaura Group Risk Management System.

Reference **Risk Management System** >>> P. 41

Consultation services and relief measures regarding human rights

The Group has established the Risk Consultation Hotline serving as a consultation/reporting desk for employees. This service is available for employees for consultation and reporting concerning various matters including those related to human rights.

Reference **Report System (Hotline)** >>> P. 42

Cooperation with local community

The Group communicates with government bodies including municipal authorities, the police, and the fire department as well as people in the community as a member of a local society, actively participating in development of the local community.

In FY2022, our activities were limited due to the COVID-19 pandemic; however, amid such circumstances, the private fire brigade of YOKOHAMA Operations participated in a technical

training session in Sakae Ward, Yokohama City on October 5, 2022. The brigade received the highest award in the category of handling of small pump by private fire brigade.

In August and September of 2023, we held summer festivals in YOKOHAMA Operations and SAGAMINO Operations of the Company. We are planning to gradually resume the activities that we used to carry out.



Private fire brigade of YOKOHAMA Operations



Scene of summer festival

Materiality Enhancement of Supply Chain Management

Since the semiconductor manufacturing equipment and the FPD manufacturing equipment manufactured by the Company consist of extremely many parts, we procure materials from a number of business partners. To assure the quality of products throughout the entire supply chain and address ESG issues, we strive to develop a strong partnership with our business partners.

Responsible supply chain

Fair transaction

Shibaura Mechatronics Group has established the Procurement Policy, striving for impartial and fair material procurement. We also have posted the policy on our website, to ensure broader awareness of its content within and outside the Company.

Procurement policy

Principle of fairness

We provide opportunities for competition impartially to all procurement partners.

Fair evaluation

We make a comprehensive and fair evaluation from various aspects such as quality, price, delivery time, stable supply, and environmental consciousness.

Partners

We establish a mutually beneficial relationship with our procurement partners and work to maintain it.

Principle of legal compliance

We faithfully fulfill our contractual obligations and comply with laws and regulations of the country or region involved.

Promotion of green procurement

We promote the procurement of products friendly to the global environment.

Assessment Questionnaire formulated by Global Compact Network Japan (GCNJ). We will accelerate activities for CSR and continue to communicate with business partners based on the outcomes with the aim of improve the quality of the activities of ours and the partners.

Communication with procurement partners

We hold the Business Partners Meeting biannually, in which President and officers in charge of each business as well as production and procurement directly explain to major business partners about the business situation, production plans and the term policy, and present awards to excellent business partners. Hoping that this event will lead to strengthening a trusting relationship with existing business partners, we evaluate them from various viewpoints such as quality, costs, delivery time, environmental measures, etc.

Although having suspended this meeting since FY2020 due to the COVID-19 pandemic, we held a meeting at the Yokohama Headquarters in May 2023 for the first time in three years. It was our great pleasure to welcome our business partners from about 80 companies and deepen communication while sharing our Shibaura Vision 2033.



Scene of business partners meeting

Response to conflict minerals

In recent years, the violations of human rights by armed groups has been a serious problem in Democratic Republic of the Congo and in its neighboring countries, and it has been pointed out that some of the minerals mined in this area becomes a source of income for their activities. If components of our products are found to contain conflict minerals, we will consult with a related business partner and properly deal with the situation such as by immediately terminate their use.

Comprehensive Quality that will lead to the improvement of customer service in terms of product safety and quality (function and performance).

Basic policy on comprehensive quality

Shibaura Mechatronics Group will aim to contribute to society by providing high-quality and safe products and services with features that are ahead of those of the competition to bring satisfaction to our customers, while observing relevant laws and regulations in conformity with our Management Policy based on respect for human rights as well as by continuing to maintain a customer-centered attitude.

Standards of conduct

- (1) We engage in quality assurance from the customers' point of view.
- (2) We observe relevant laws and contracts and respect the rights of customers and third parties.
- (3) We maintain quality systems aimed at achieving 100% quality.
- (4) We ensure that all of our departments and all of our employees make concerted efforts to produce high-quality products.
- (5) We aim for fundamental improvement by investigating the root causes of process failures.
- (6) We aim to conduct quality activities at appropriate cost.
- (7) We conduct quality activities throughout product life cycles based on the Environmental Basic Policy.

Quality assurance system

Our quality management system (QMS¹) complies with the ISO 9001 international standard. We carry out appropriate reviews at every stage of a transaction, from the initial inquiry and order, during design and procurement, manufacturing and testing, through to installation and service. Individual departments analyze and evaluate customer opinions and monitor changes in market trends, and we use the results to enhance our products and to maintain and improve quality. As of May 2023, four bases² have been certified according to ISO 9001.

Currently, we are cooperating with Shibaura Eletec Corporation and four overseas corporations which are essential for the supply of parts, and supporting overseas local corporations in improving the quality level of affiliated companies (quantification of specialized operation and case study), working on the enhancement of the quality control system globally.

¹ QMS: Quality management systems

² YOKOHAMA Operations and SAGAMINO Operations of the Company, Headquarters/Obama Plant and Tokyo Metropolitan Office of Shibaura Vending Machine Corporation

Product risk assessment

At every stage of development of new products, and approval and design review of products, we conduct a product risk assessment. In the product safety design stage, we work on activities such as design, manufacture and inspection by using quality analysis methods (FMEA¹, FTA², etc.), by working out measures for preventing a recurrence of troubles that occurred in the past, while considering the risks of a new design to work out measures for preventing the occurrence of troubles. As a result of conducting an impact analysis related to quality and safety, it was found that there were no cases of violations in FY2022.

¹ FMEA: Failure mode and effects analysis

² FTA: Fault tree analysis

Efforts for product safety

While promoting activities for eliminating accidents such as injuries

and fires, we are addressing legal compliance viewing it as top-priority issue, responding to changes of the market. At the time of an accident, the department in charge of products will take quick action to deal with it with other departments, and the quality department responsible for such products will report to persons involved including top management based on the flow diagram for the handling of major accidents. The responsible department will discuss the process leading to the accident, the cause of the accident and recurrence prevention measures, and make a report on the content of the discussion to the Company-wide QS¹ Committee.

- (1) Quick reporting policy
- (2) Objective monitoring by a third party
- (3) Reviewing from management perspective

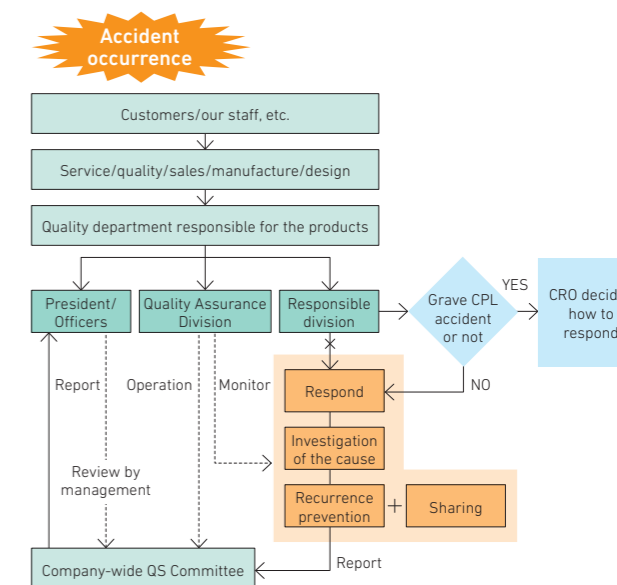
By taking the above three measures, we develop a complete management system that is characterized by quickness to take action and agility for information transmission, and never allows a recurrence of accidents.

We have arranged a system that can respond to an accident that significantly affects the Company's management, recognizing such an accident as a CPL² accident, and at the same time, we have arranged a quick report system to respond to other grave accidents signaling the occurrence of a CPL accident (smoke generation, ignition, injury accidents, software accidents, or other accidents that can lead to those accidents) with management. In this system, more specifically, even in the case of a discovery of the leakage of a chemical solution or the failure of parts, which did not lead to an accident, if there is evidence of smoke generation or ignition, this will be reported as soon as they are discovered. In FY2022, there was no grave CPL accident.

¹ QS: Quality & Safety

² CPL: An abbreviation combining CL (contractual liability) and PL (product liability)

Structure to respond to occurrence of product accidents



Sharing of information to customers

To ensure product safety, it is most important to give the highest priority to safety at the product design stage, and at the same time, we also bear a heavy responsibility as an equipment manufacturer to share information with our customers. Based on the results of a product risk assessment, we provide safety education to our customers and disclose information according to risks inherent to individual equipment. In FY2022, there was no case of violation related to the labeling of products (cases such as products compliant to regulations or certifications missing labels or with incorrect entry).

Key Financial Data for the Past 10 Years

Shibaura Mechatronics Corporation and consolidated subsidiary companies
From the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2023

	Item	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operating results	Net sales	Million yen	35,164	43,799	45,549	42,737	49,256	53,090	47,141	44,794	49,272	61,001
	Domestic	Million yen	17,553	18,532	20,200	17,827	16,270	18,435	17,326	14,255	16,204	20,307
	Overseas	Million yen	17,611	25,267	25,349	24,910	32,986	34,655	29,815	30,539	33,068	40,694
	Operating income	Million yen	736	1,021	1,291	1,499	2,497	4,000	3,123	2,957	5,050	10,906
	Net income attributable to owners of parent	Million yen	387	697	743	930	1,746	2,480	1,944	1,969	2,983	9,198
Financial position	Total assets	Million yen	47,601	54,720	56,253	53,721	59,939	61,967	57,421	58,294	68,854	81,887
	Net assets	Million yen	15,063	16,057	15,675	16,533	16,129	18,368	19,720	21,854	24,614	33,007
	Equity-to-asset ratio	%	31.6	29.3	27.9	30.8	26.9	29.6	34.3	37.5	35.7	40.3
	Net assets per share	Yen	3,048.75	3,250.13	3,172.89	3,346.75	3,644.92	4,166.33	4,468.29	4,949.41	5,571.64	7,466.67
	Basic earnings income per share	Yen	78.34	141.09	150.41	188.44	365.82	562.90	440.73	446.18	675.41	2,081.32
Cash dividends	Annual dividends per share	Yen	20	30	40	40	80	140	110	110	230	560
	Payout ratio	%	25.5	21.3	26.6	21.2	21.9	24.9	25.0	24.7	34.1	26.9
Capital investment, etc.	Depreciation expenses	Million yen	1,359	1,271	1,411	1,566	1,405	1,555	1,389	1,667	1,892	1,828
	Capital investment	Million yen	1,195	797	1,536	1,222	1,126	1,717	2,230	1,241	2,229	2,739
	R&D expenses	Million yen	1,725	1,856	2,064	2,210	2,492	2,742	2,728	2,494	2,636	3,114
Cash flow	Cash flows from operating activities	Million yen	3,269	(750)	3,645	5,789	5,148	1,461	1,279	7,669	8,297	4,572
	Cash flows from investing activities	Million yen	(60)	(278)	(394)	(537)	(654)	(721)	(900)	(258)	(507)	(1,375)
	Cash flows from financial activities	Million yen	(3,732)	1,245	(368)	(674)	(2,640)	(870)	(826)	(553)	(1,205)	(2,436)
Financial index	ROS (return on sales)	%	2.1	2.3	2.8	3.5	5.1	7.5	6.6	6.6	10.3	17.9
	ROE (return on equity)	%	2.5	4.5	4.7	5.8	10.7	14.4	10.2	9.5	12.8	31.9

* As we conducted a 10-for-1 stock consolidation of our common stock with October 1, 2018 as the effective date, net assets, current net earnings and annual dividends per share were calculated with the assumption that the said stock consolidation had been conducted at the beginning of the prior consolidated fiscal year.

* Regarding the amount of current basic earnings per share, the Company's stocks held by a trust as the performance-based stock remuneration plan for directors and executive officers are, for the purpose of calculating the amount of current basic earnings per share, included in the treasury stock to be deducted in the calculation of the average number of shares (common stock) during the period.

* Dividend payout ratio for FY2022 becomes 29.9% in the case when the addition of current net income resulting from additional calculation of deferred tax assets is excluded.

Non-Financial Data

Shibaura Mechatronics Corporation and consolidated subsidiary companies (referred to as Shibaura Group in the non-financial data)
From the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2023
Ratio values are rounded to one decimal place.

Environment

Energy		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
City gas	Shibaura Group	Domestic Group	km ³	191	147	131	125	155
	Domestic Group			191	147	131	125	155
	Overseas Group			—	—	—	—	—
LPG	Shibaura Group	Domestic Group	t	44	36	28	32	36
	Domestic Group			44	36	28	32	36
	Overseas Group			—	—	—	—	—
Light oil	Shibaura Group	Domestic Group	kL	54	56	47	46	50
	Domestic Group			54	56	47	46	50
	Overseas Group			—	—	—	—	—
Gasoline	Shibaura Group	Domestic Group	kL	44	42	43	43	32
	Domestic Group			44	42	43	43	32
	Overseas Group			—	—	—	—	—
Kerosene	Shibaura Group	Domestic Group	kL	6	6	6	6	6
	Domestic Group			6	6	6	6	6
	Overseas Group			—	—	—	—	—
Electricity usage	Shibaura Group	Domestic Group	MWh	11,600	11,093	11,125	10,637	11,670
	Domestic Group			11,600	11,093	11,125	10,637	11,202
	Overseas Group			—	—	—	—	467

CO ₂ emissions		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1	Shibaura Group	Domestic Group	t-CO ₂	813	692	613	608	671
	Domestic Group			813	692	613	608	671
	Overseas Group			—	—	—	—	—
Scope 2	Shibaura Group	Domestic Group	t-CO ₂	5,348	5,008	4,879	4,684	5,263
	Domestic Group			5,348	5,008	4,879	4,684	5,050
	Overseas Group			—	—	—	—	213
Scope 3	Shibaura Group	Domestic Group	t-CO ₂	—	—	—	—	478,118

* Scope 1: Direct emissions of greenhouse gases from the emission sources of fuel/gas usage owned or managed by the Group.

Calculation method: Emissions = Fuel usage × CO₂ emission factor

The emission factor represents an emission factor based on the law related to the promotion of global warming countermeasures.

* Scope 2: Indirect emissions of greenhouse gases from the use of electricity purchased by the Group.

Calculation method: Emissions = Amount of electricity purchased × CO₂ emission factor

The emission factor represents an electricity utility-based adjusted emission factor based on the law related to the promotion of global warming countermeasures (market-based calculation).

* Scope 3: Indirect emissions other than Scope 1 and 2, from the value chain related to raw materials procurement, manufacture, physical distribution, sales, etc.

Out of the 15 categories of Scope 3, emissions belonging to the categories of 1, 2, 3, 4, 5, 6, 7, 9, 11 and 12 are included in calculation.

Emissions not from the Company's activities or emissions belonging to the categories of 8, 10, 13, 14, and 15 that are included in the calculation for other categories are excluded.

Water use		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Clean water use	Shibaura Group	Domestic Group	km ³	49,774	55,262	59,885	45,442	41,699
	Domestic Group			49,774	55,262	59,885	45,442	41,696
	Overseas Group			—	—	—	—	3
Amount of discharged water	Shibaura Group	Domestic Group	km ³	48,050	53,660	58,601	43,646	39,483
	Domestic Group			48,050	53,660	58,601	43,646	39,480
	Overseas Group			—	—	—	—	3

Amount of waste material discharged		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Total amount of waste generated				633	714	594	744	637
Amount of specially controlled industrial waste included			t	0	0	0	0	1
Amount of resources recycled		Domestic Group		631	713	594	744	636
Amount of final landfill disposal		Domestic Group		1	1	0	0	1
Rate of resources recycled (amount of resources recycled/amount of waste generated)			%	99.8	99.8	99.9	99.9	99.9

* The overseas Group companies are excluded since they are operating as sales offices and not as production bases.

Use of chemical substances/transferred amount and discharged amount Class I designated chemical substances under PRTR law

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Handling amount				806	315	413	413	228
Transferred amount	Emissions into air	Domestic Group	kg	0	0	0	0	0
	Emissions into water area			0	0	0	0	0
	Amount of waste			806	315	413	413	228

* Main materials included in the handling amount are hydrogen fluoride and its water-soluble salts. The domestic group is not included in businesses to submit notification under the PRTR Law (annual handling amount: one ton or over).

Society (employment)

Employee composition		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Employees (by type of employment)	Number of employees	Domestic Group	Person	1,155	1,183	1,176	1,149	1,150
	Regular employees			1,044	1,074	1,056	1,019	1,001
	Men			898	920	900	865	849
	Women			146	154	156	154	152
	Non-regular employees			111	109	120	130	149
	Men			89	86	99	107	120
Women	22	23	21	23	29			

Regular employees (by region)		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of regular employees		Shibaura Group	Person	1,226	1,264	1,229	1,207	1,221
Japan				1,044	1,074	1,056	1,019	1,001
Asia				176	185	168	184	214
U.S.				6	5	5	4	6

Age groups		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Under the age of 30		Shibaura Group	%	8.8	9.6	10.3	11.1	11.2
30 or over and under 50 years of age				55.0	51.5	48.6	45.6	43.3
50 years of age or over				36.2	38.9	41.1	43.3	45.4

Recruitment/employment		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
New graduate hires	Number of recruits	Domestic Group	Person	16	27	27	11	16
	Ratio of women			6.3	33.3	7.4	9.1	6.3
	Ratio of employees with foreign nationalities			0	0	0	0	0
Mid career hires	Number of recruits	Domestic Group	Person	20	13	12	8	20
	Ratio of women			25.0	15.4	25.0	37.5	25.0
	Ratio of employees with foreign nationalities			10.0	0	0	0	15.0
Recruitment of persons with disabilities	Employment rate	Shibaura Mechatronics Corporation	%	2.0	2.5	2.4	2.2	2.2
		Domestic Group	%	2.0	2.3	2.0	1.9	2.0
Female managers (women in managerial positions)	Number of persons	Shibaura Mechatronics Corporation	Person	4	5	5	5	5
	Ratio			1.6	1.9	2.0	2.1	2.0
	Number of persons			10	10	14	15	15
Re-employment system	Ratio	Shibaura Group	%	2.7	2.6	3.7	3.9	3.5
	Number of users	Domestic Group	Person	10	8	25	15	24
	Men			8	6	25	14	20
Women	2			2	0	1	4	
Second career support system ¹⁾	Number of users	Shibaura Mechatronics Corporation	Person	—	—	—	—	2
	Men			—	—	—	—	2
	Women			—	—	—	—	0

¹⁾ The system has been operating since July 2022 only in Shibaura Mechatronics Corporation.

Employee retention

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022	
Employee retention	Three years retention rate of new graduates	Domestic Group	%	66.7	100	88.2	96.4	85.7	
	Men			64.3	100	87.5	94.7	88.5	
	Women			75.0	100	100	100	50.0	
	Average service years			Year	18.8	18.9	18.9	19.6	19.9
	Men				19.4	19.7	19.6	20.3	20.6
	Women				15.0	14.6	14.9	15.5	16.0
Separation from service	Number of people leaving employment	Domestic Group	Person	31	15	26	22	20	
	Men			26	11	23	20	13	
	Women			5	4	3	2	7	
	Turnover rate			%	2.7	1.3	2.2	1.9	1.7

Average annual salary

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
All	Shibaura Mechatronics Corporation	Yen		7,502,574	7,498,309	7,144,411	7,355,409	8,156,301
Men			8,030,064	8,196,716	7,684,771	7,860,263	8,472,011	
Women			4,715,444	5,106,326	5,005,829	5,099,286	5,543,350	

* Differences in salaries between men and women are due to differences in the ratio of men to women by qualification and position, with equivalent salaries paid for for equal work regardless of gender.

Society (work-life balance)

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Work-life balance								
Annual total working hours per person		Domestic Group	Hour	1,814	1,851	1,882	1,919	1,911
Annual paid leave	Acquisition rate		%	57.8	62.1	60.6	65.0	69.2
Maternity leave	Number of employees taking leave	Domestic Group	Person	5	6	5	5	7
Spouse maternity leave	Number of employees taking leave		Person	2	1	7	1	4
Child-care leave	Number of employees taking leave	Domestic Group	Person	11	11	10	12	13
	Men		Person	1	0	1	2	4
	Women		Person	10	11	9	10	9
	Acquisition rate for men ^{*1}		Person	0.0	0.0	0.0	5.6	20.0
	Acquisition rate for women ^{*1}		Person	100	100	100	100	100
	Number of people returning to work		Person	5	4	2	9	4
	Men		Person	1	0	1	2	3
	Women		Person	4	4	1	7	1
Shortened work hour system	Return-to-work rate	Domestic Group	%	100	100	100	100	100
	Retention rate		%	100	100	100	100	100
	Number of users		Person	30	30	25	26	24
Leave for children's nursing care	Men	Domestic Group	Person	1	1	1	2	2
	Women		Person	29	29	24	24	22
Leave of absence for nursing care	Number of employees taking leave	Domestic Group	Person	9	7	4	6	5
	Men		Person	2	2	3	3	3
	Women		Person	7	5	1	3	2
Leave for nursing responsibilities	Number of employees taking leave	Domestic Group	Person	0	0	1	0	0
	Men		Person	0	0	0	0	0
	Women		Person	0	0	1	0	0
Ratio of employees who have collective bargaining rights	Number of employees taking leave	Domestic Group	Person	3	2	2	3	4
	Men		Person	2	1	2	2	3
	Women		Person	1	1	0	1	1
		*2	%	56.9	56.8	56.8	55.8	53.9

*1 Acquisition rate of child-care leave = $\frac{\text{Number of employees who started child-care leave among those who or whose spouse gave birth in the previous fiscal year}}{\text{Number of employees eligible to take child-care leave in the fiscal year (including the number of male employees whose spouse gave birth)}} \times 100$

*2 Shibaura Mechatronics Corporation, Shibaura Eletec Corporation, and Shibaura Vending Machine Corporation

Society (human resource development)

Training attendance status

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Training attendance status	Annual number of employees who participated in education/training programs	Shibaura Mechatronics Corporation	Person (total)	754	954	897	1,353	1,441
	Total amount of expenses for education/training		Ten thousand yen	2,109	3,552	1,107	2,852	3,284
	Total Number of hours of education/training		Hour	4,204	8,000	2,789	5,295	6,766
	Number of hours of training per employee		Hour	6.4	11.8	4.2	8.5	10.8

* Total amount of expenses for training includes personnel costs for training participants.

Society (occupational health and safety)

Number of industrial accidents

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of industrial accidents	Number of accidents	Shibaura Group	Case	7	4	6	1	1
	Number of occupational accidents resulting in work absence of four days or more		Case	0	0	0	0	0

* Occupational accidents: Work-related injury, illness or death that leads to any treatment at medical institution.

Health examination rate

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Health examination rate	Periodic health examination rate	Shibaura Mechatronics Corporation	%	100	100	100	100	100
	Health examination rate for posted overseas		%	100	100	100	100	100
	Consultation recommendation execution rate for employees with positive-findings		%	100	100	100	100	100

Frequency rate of occupational accidents

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Frequency rate of occupational accidents	Shibaura Group	—		0.00	0.00	0.00	0.00	0.00

* Frequency rate = (Number of injuries or deaths / total working hours) x 1,000,000 The number of injuries or deaths from occupational accidents per 1 million hours of work.

Severity rate of occupational accidents

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Severity rate of occupational accidents	Shibaura Group	—		0.00	0.00	0.00	0.00	0.00

* Severity rate = (Days of work lost / total working hours) x 1,000 The number of days lost per 1,000 hours of work.

Number of recipients of occupational health and safety education

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of recipients of occupational health and safety education	Occupational health and safety education (new employees and mid-career hires)	Shibaura Mechatronics Corporation	Person	11	26	9	13	40
	Foreman (operation manager) education		Person	8	—	4	2	21
	SEAJ-recommended service safety training		Person	19	20	7	13	35

Governance

Board of directors

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Directors	All	Shibaura Mechatronics Corporation	Person	7	7	6	6	6
	Internal			5	5	4	4	4
	Outside			2	2	2	2	2
	Independent			2	2	2	2	2
	Women			1	1	1	1	1
Number of meetings		Shibaura Mechatronics Corporation	Time	17	17	17	18	18
Attendance rate	All	Shibaura Mechatronics Corporation	%	99.1	97.4	100	99.0	100
	Outside			96.8	94.1	100	100	100

Board of corporate auditors

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Auditors	All	Shibaura Mechatronics Corporation	Person	3	3	3	4	4
	Internal			1	1	1	1	1
	Outside			2	2	2	3	3
	Independent			0	0	0	3	3
	Women			0	0	0	0	0
Number of meetings		Shibaura Mechatronics Corporation	Time	14	14	14	14	14
Attendance rate	Board of Corporate Auditors	All	%	100	100	100	98.1	100
		Outside		100	100	100	97.4	100
	Board of Directors	All		100	100	100	98.5	100
		Outside		100	100	100	98.0	100

Personnel and remuneration advisory committee*

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Committee members	All	Shibaura Mechatronics Corporation	Person	—	3	3	3	3
	Internal			—	1	1	1	1
	Outside			—	2	2	2	2
	Independent			—	2	2	2	2
	Women			—	1	1	1	1
Number of meetings		Shibaura Mechatronics Corporation	Time	—	1	10	9	11
Attendance rate	All	Shibaura Mechatronics Corporation	%	—	100	100	100	100
	Outside			—	100	100	100	100

* The Personnel and Remuneration Advisory Committee was established in October 2019.

Executive officers

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Executive officers	Concurrently assuming the post of director	Shibaura Mechatronics Corporation	Person	5	5	4	4	4
	Full-time			6	6	6	6	5

Risk compliance

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of consultations/reports		Shibaura Group	Case	1	1	1	3	2

Stock Information

(As of March 31, 2023)

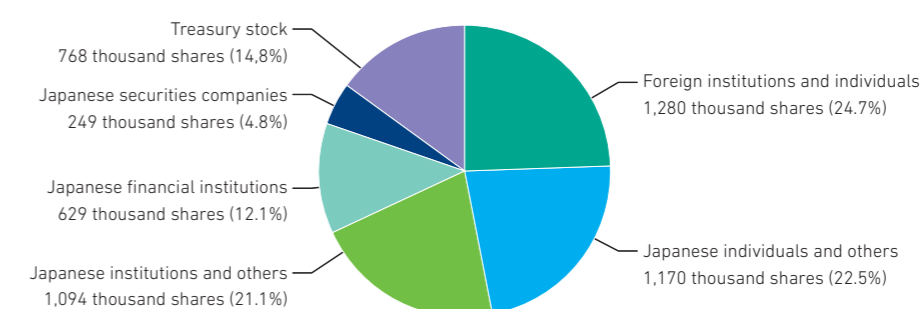
Number of Shares Authorized	10,000,000 shares
Number of shares issued	5,192,619 shares (including 768,138 shares of treasury stock)
Number of shareholders	5,062
Listed securities exchange	Tokyo Stock Exchange Prime Market (Securities identification code: 6590)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited
Independent auditor	PricewaterhouseCoopers Aarata LLC

Major shareholders (top 10 shareholders)

Name of shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
Toshiba Corporation	519	11.73
The Master Trust Bank of Japan, Limited (trust accounts)	454	10.27
Shin-Etsu Engineering Co., Ltd.	259	5.86
NuFlare Technology, Inc.	259	5.86
Custody Bank of Japan, Limited (trust accounts)	110	2.49
MSCO CUSTOMER SECURITIES	88	1.99
JPMorgan Securities Japan Co., Ltd.	85	1.92
THE BANK OF NEW YORK MELLON 140044	73	1.65
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	65	1.46
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	62	1.42

* Although holding 768,138 shares of treasury stock, Shibaura Mechatronics Corporation is excluded from the list of major shareholders above. These shares of treasury stock do not include the 3,875 shares of the Company's stock held by a trust account related to the performance-based stock remuneration plan for Directors and Executive officers.
* The shareholding ratio is calculated after deducting the treasury stock.

Classification of shareholders by shareholder category



Shibaura Mechatronics Group signed the UN Global Compact (UNGC) advocated by the United Nations, and was registered as a participant as of July 31, 2023. The Group has also joined Global Compact Network Japan, consisting of Japanese companies, etc. that have signed the UNGC.