

Business Results

Q2 of The Year Ending March 31, 2021

- Financial Forecast and New Mid-Term Management Plan -

November 5, 2020

SHIBAURA MECHATRONICS CORPORATION

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3. New Mid-Term Management Plan
(FY2020-FY2022)

Financial Results (YoY)

[Consolidated]

Unit: 100 million yen

	FY19/1H	FY19/2H	FY20/1H results	YoY rate of change
Net sales	242	229	233	▲4%
Operating income	20.2	11.0	16.5	▲18%
Ordinary income	19.0	8.7	15.8	▲17%
Net income	13.2	6.2	11.4	▲13%
ROS	8.3%	4.8%	7.0%	▲1.3pt
Orders received	240	226	182	▲24%

Financial Results by Segment (YoY) ①

■ Fine mechatronics

* Fine mechatronics: front-end process equipment for FPD and semiconductors

➤ **Net sales** Increased by 23% YoY (13.1 ⇒ 16.0 billion yen)

Sales of front-end process equipment for FPD increased as a whole due to an increase of the sales for small and medium panels and firm sales for large panels.

Sales of front-end process equipment for semiconductor were steady in general for logic/foundry and wafers, resulting in the same level of the overall sales as in the same period of the previous fiscal year.

➤ **Ordinary income** Increased by 108% YoY (0.66 ⇒ 1.36 billion yen)

Income increased due to increased net sales and decreased fixed expenses, but the increase rate was small as a result of change in the product mix.

➤ **Orders received** Decreased by 17% YoY (15.1 ⇒ 12.5 billion yen)

The number of orders for front-end process equipment for FPD decreased as a result of postponed investment plans of some customers despite a steady increase in orders for front-end process equipment for semiconductors, resulting in decreased orders as a whole.

Financial Results by Segment (YoY) ②

■ Mechatronics systems

* Mechatronics systems: back-end process equipment for FPD, semiconductors and vacuum equipment

➤ **Net sales** Decreased by 39% YoY (9.1 ⇒ 5.6 billion yen)

As a whole, net sales of back-end process equipment for FPD decreased because sales for both large-panels and small-and medium-panels were sluggish due to postponed investment plans of customers.

As a whole, net sales of back-end process equipment for semiconductors decreased because of a slow business for mobile device parts despite firm sales for advanced packages.

➤ **Ordinary income** Decreased by 77% YoY (1.24 ⇒ 0.28 billion yen)

Income decreased due to the effects of a decrease in net sales and change in the product mix.

➤ **Orders received** Decreased by 38% YoY (6.6 ⇒ 4.0 billion yen)

Overall number of orders received decreased due to a decrease in back-end process equipment for FPD as a result of postponed investment plans of some customers and a smaller than expected number of orders for back-end process equipment for semiconductors.

Financial Results (vs. previous forecast) ①

[Consolidated]

*1: Published in August 2020

Unit: 100 million yen

	FY20/1H		
	Previous forecast*1	Results	Rate of change from the previous forecast
Net sales	230	233	+ 1%
Operating income	12.0	16.5	+37%
Ordinary income	11.5	15.8	+38%
Net income	8.0	11.4	+43%
ROS	5.2%	7.0%	+1.8pt
Orders received	-	182	-

Financial Results (vs. previous forecast) ②

- **Net sales** Increased by 1% from the previous forecast
(23.0 ⇒ 23.3 billion yen)
 - Sales were about the same level as expected, including the effects of COVID-19.

- **Operating income** Increased by 37% from the previous forecast
(1.20 ⇒ 1.65 billion yen)
 - Income was improved due to increased sales, reduction of manufacturing costs and decreased fixed expenses.

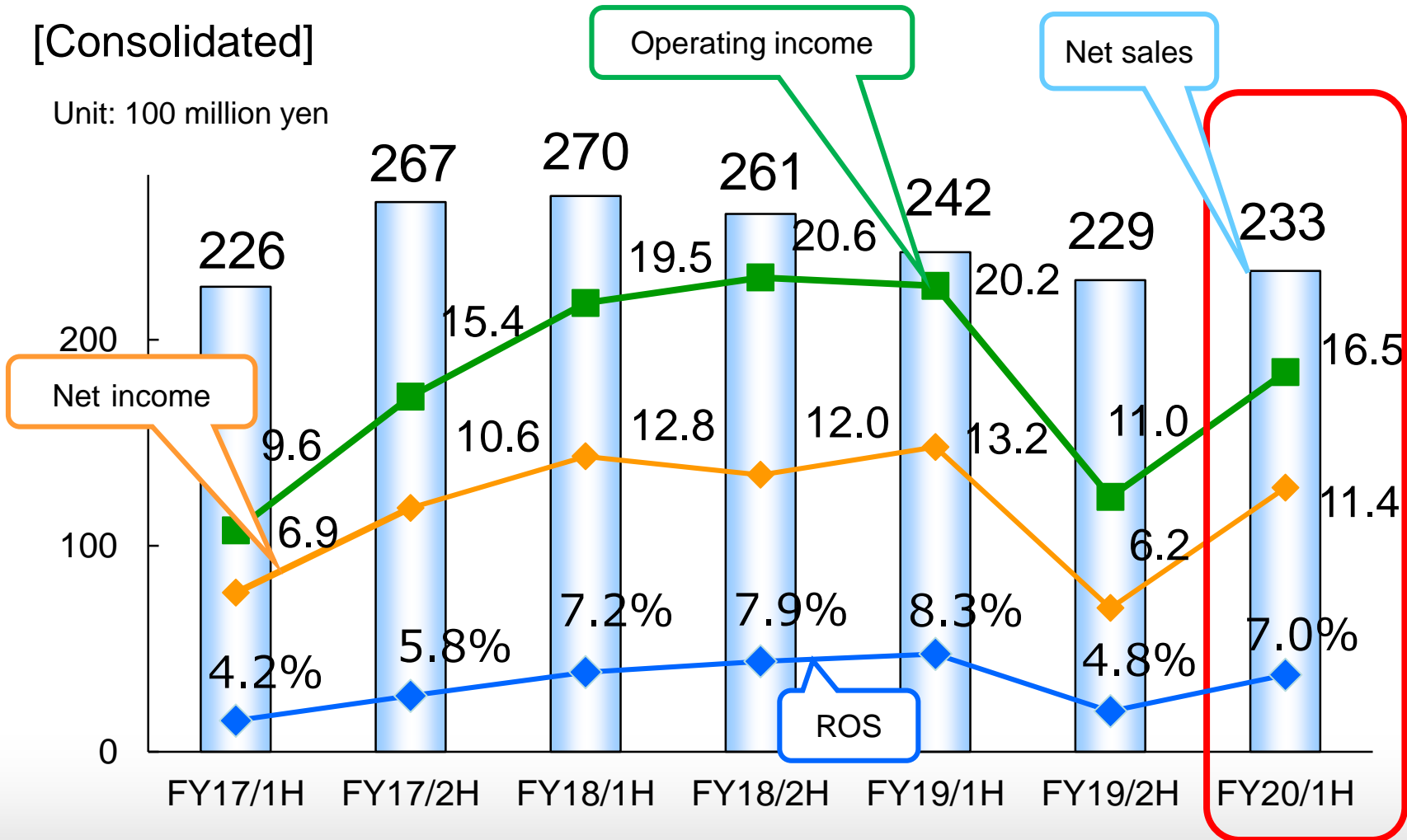
- **Orders received** No previous forecast (⇒ 18.2 billion yen)
 - Delay of customers' decision on investments was expected due to the effects of COVID-19, and back-end process equipment was particularly affected.

Sales, Profit and ROS

* ROS: return on sales

[Consolidated]

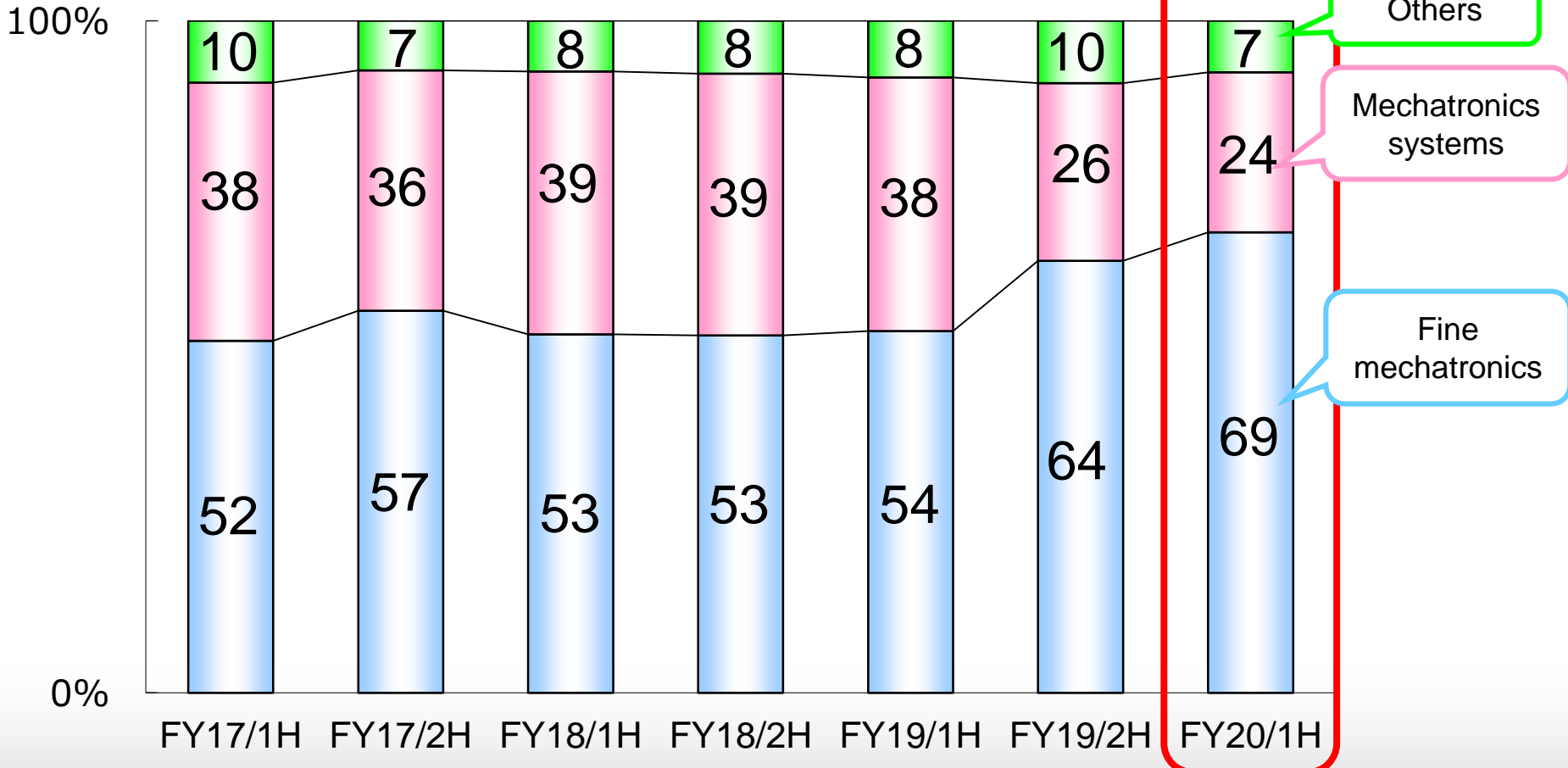
Unit: 100 million yen



Sales Ratio by Segment

[Consolidated]

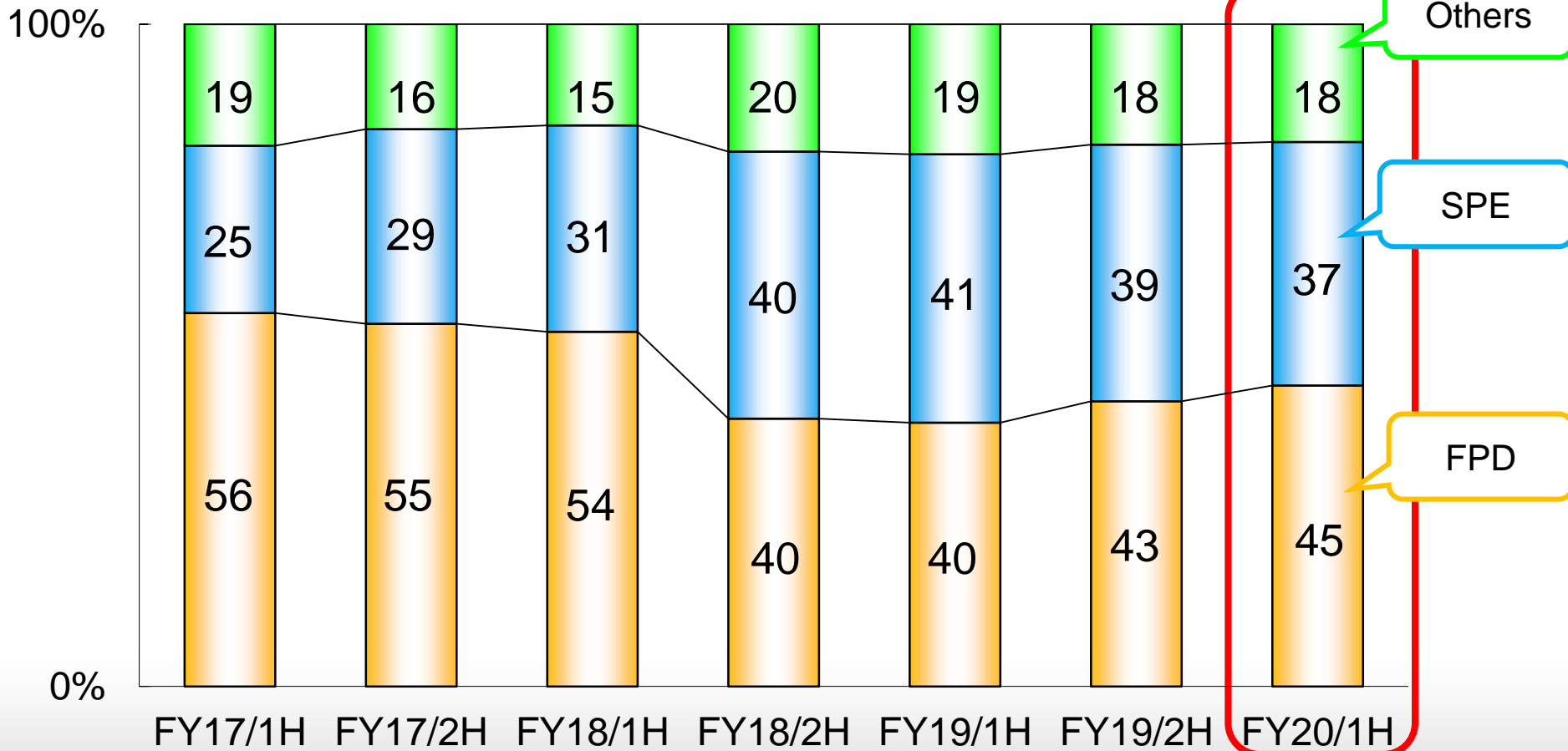
* Fine mechatronics : front-end process equipment for FPD and semiconductors
 Mechatronics systems : back-end process equipment for FPD, semiconductors and vacuum equipment



Sales Ratio by Product Field

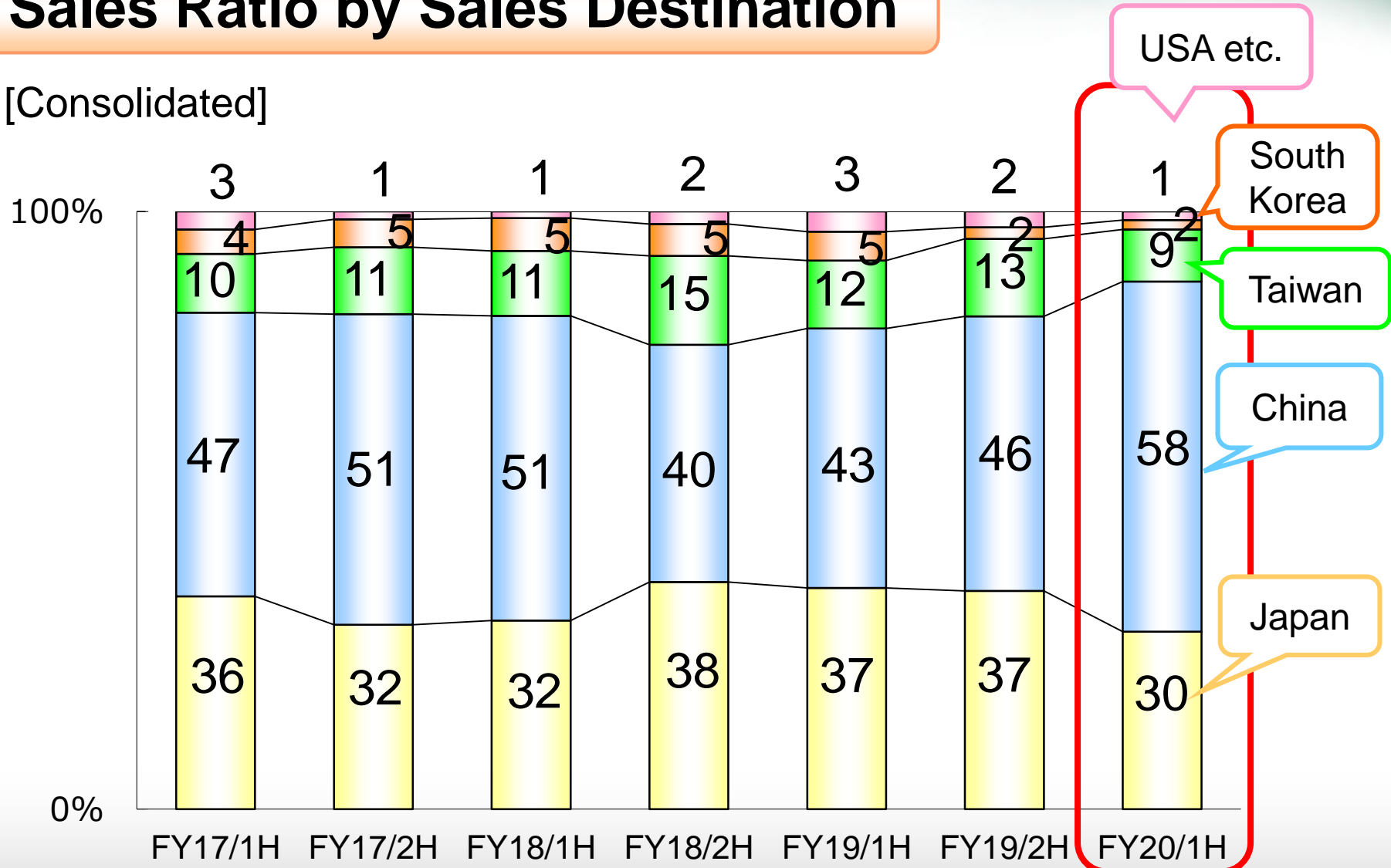
[Consolidated]

* FPD: front- and back-end process equipment for FPD
 SPE: front- and back-end process equipment for semiconductors



Sales Ratio by Sales Destination

[Consolidated]

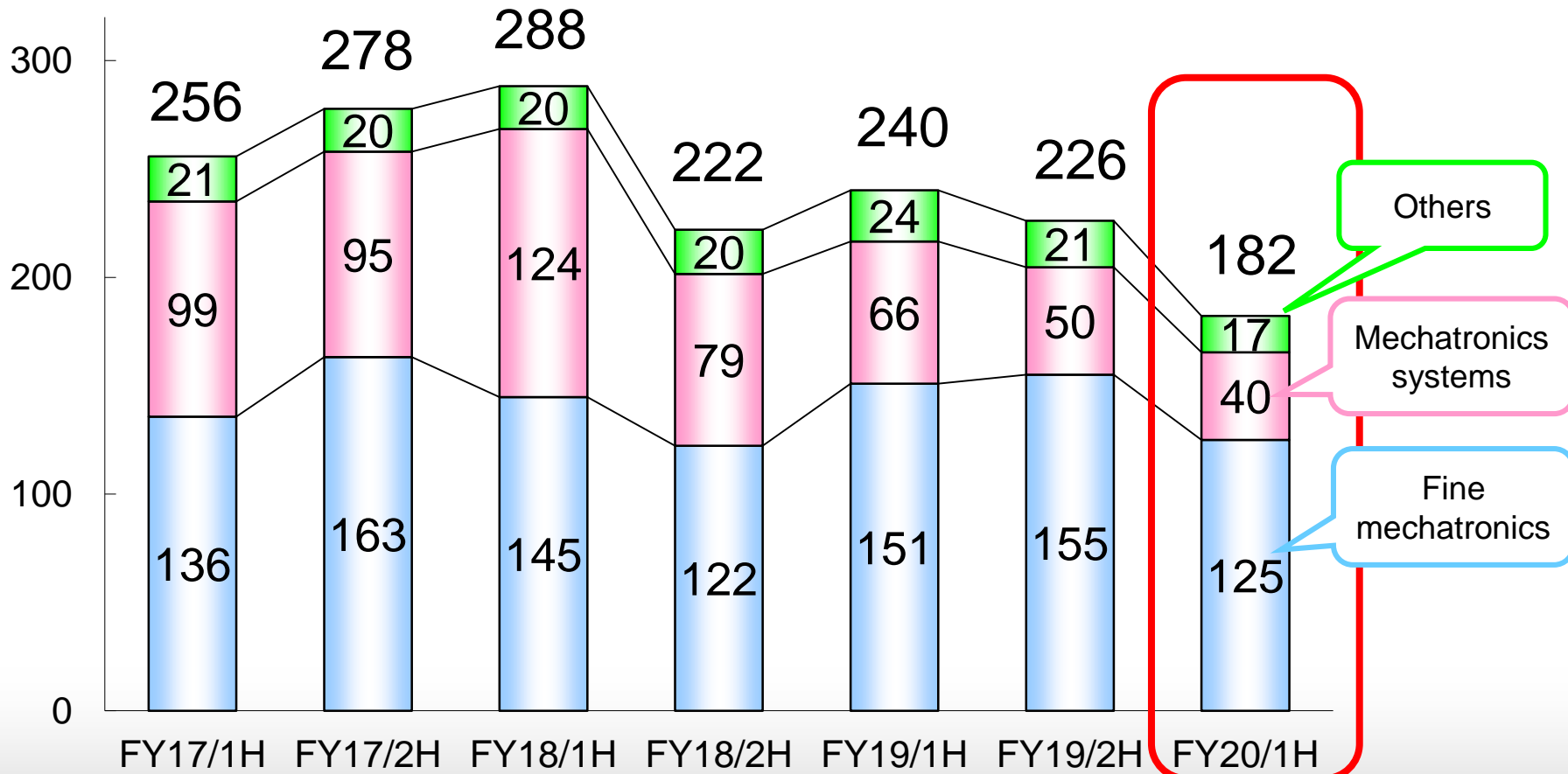


Orders received

[Consolidated]

* Fine mechatronics : front-end process equipment for FPD and semiconductors
 Mechatronics systems : back-end process equipment for FPD, semiconductors and vacuum equipment

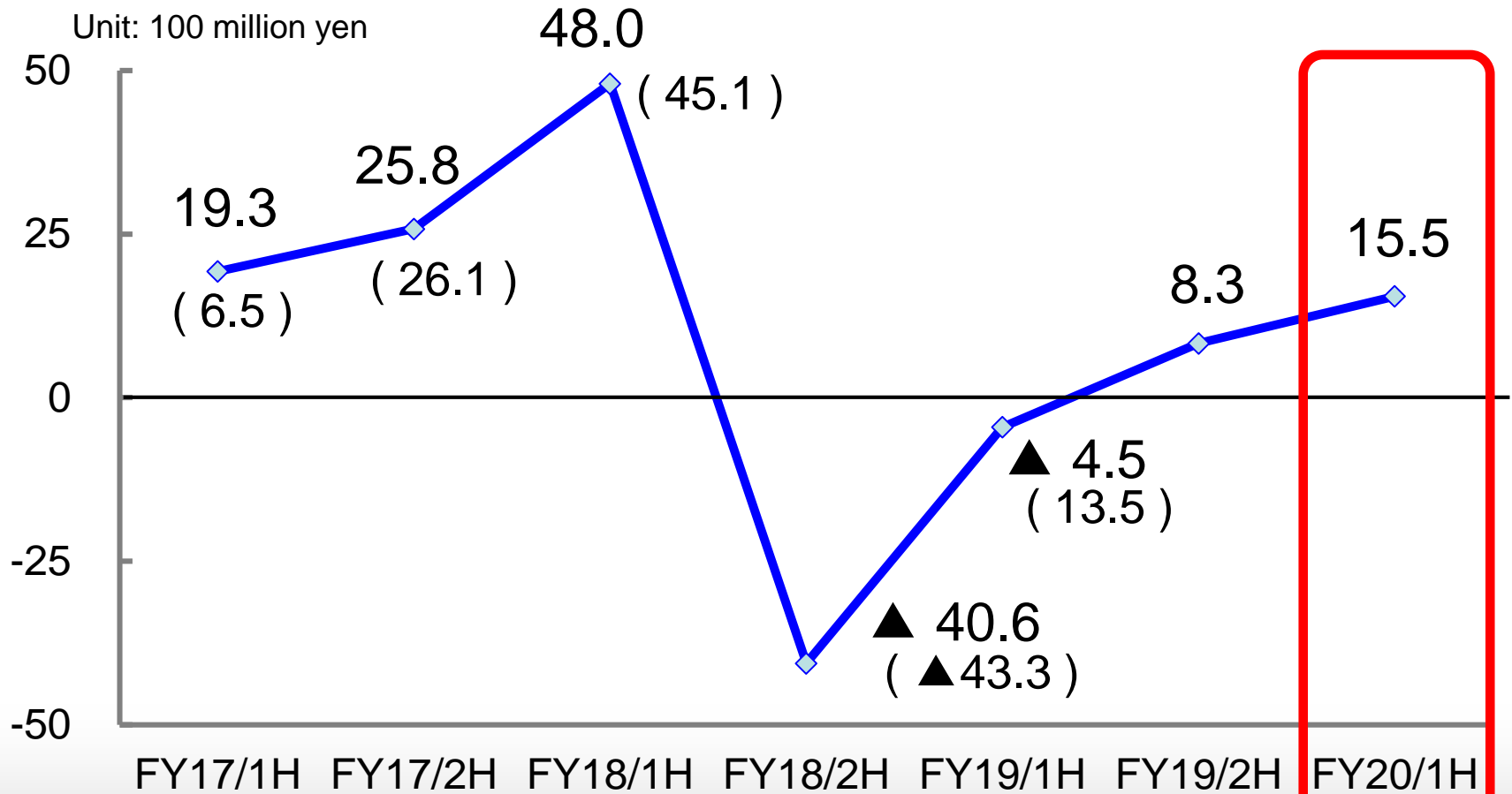
Unit: 100 million yen



Free Cash Flow

[Consolidated]

* Figures in parentheses: real free cash flow excluding the holiday effect of month-end-settlement



Balance Sheet

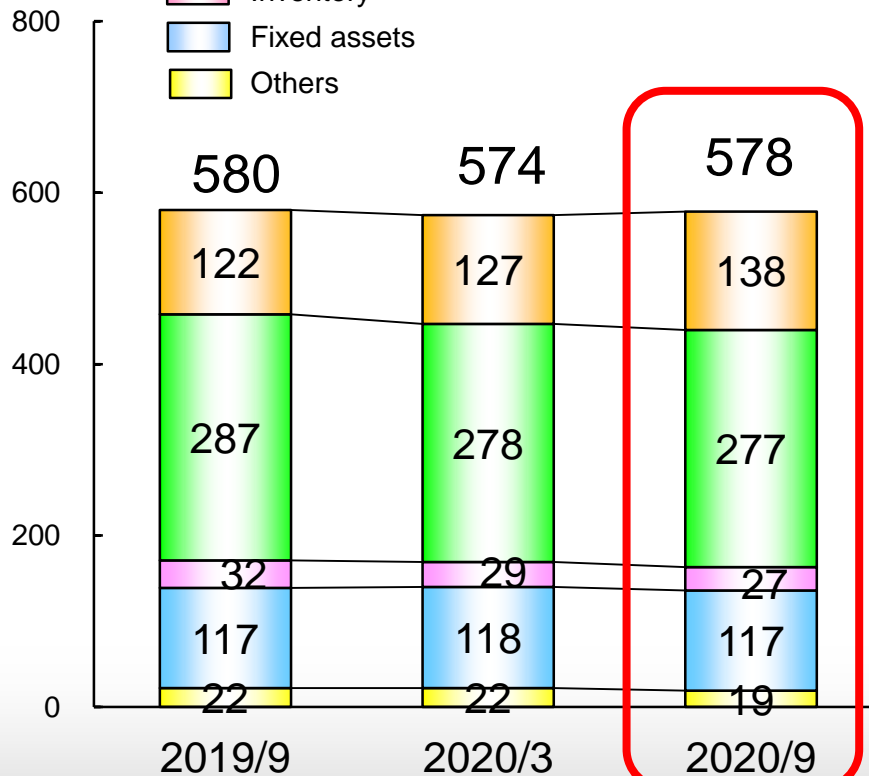
Net worth ratio 35%, D/E ratio 53%

[Consolidated]

Unit: 100 million yen

Assets

- Cash and deposits
- Trade accounts receivable
- Inventory
- Fixed assets
- Others



Unit: 100 million yen

Liabilities and Net Assets

- Trade accounts payable
- Loans payable (long/short-term)
- Other liabilities
- Net Assets

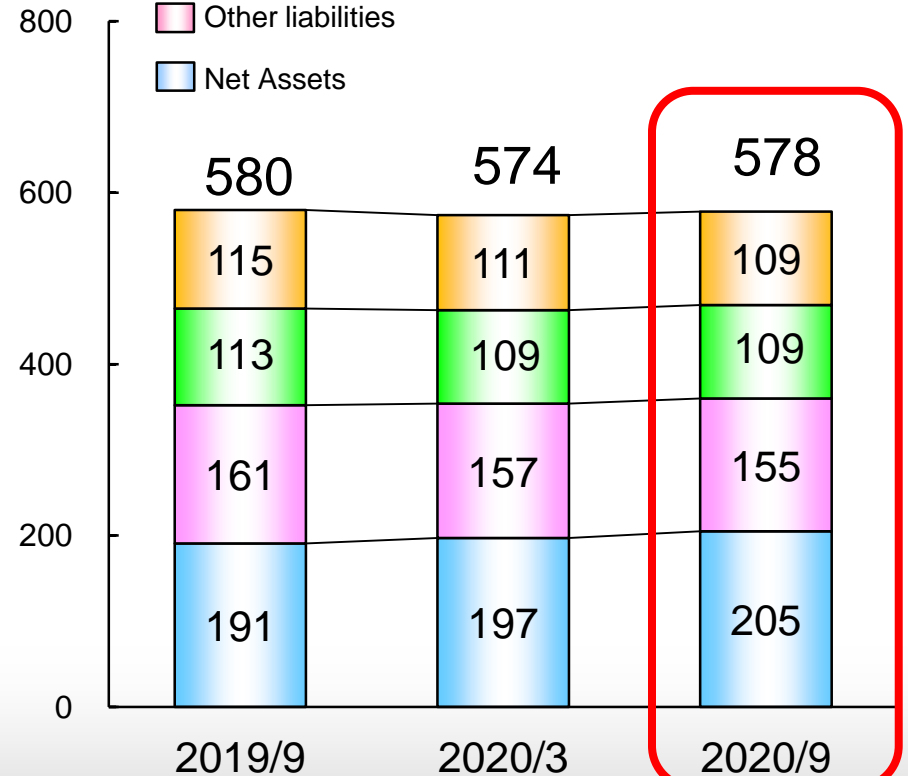


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(FY2020-FY2022)

Financial Forecast

No change from the previous forecast

[Consolidated]

*1: Published in August 2020

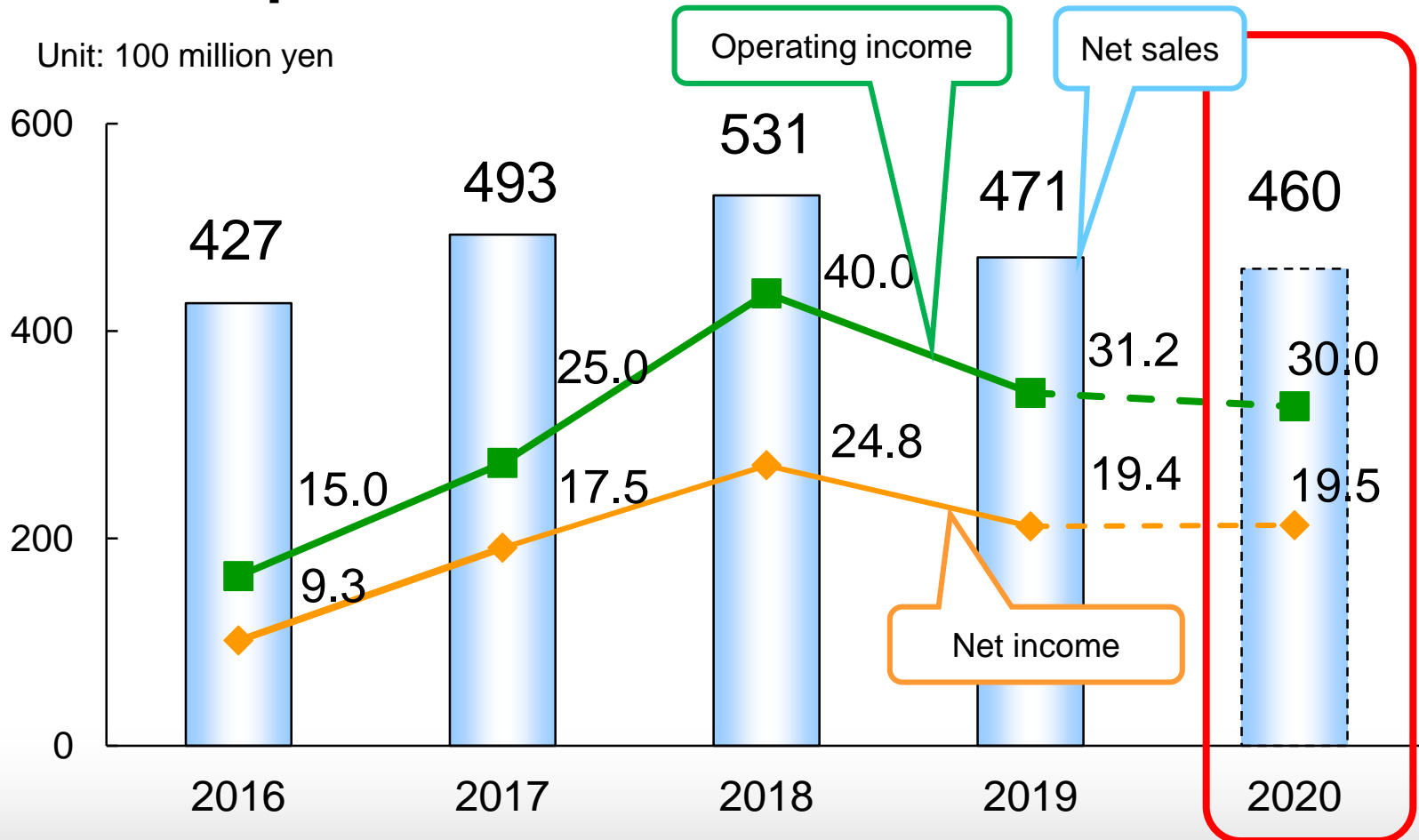
Unit: 100 million yen

				FY2020 forecast			Previous forecast *1		
	FY19/1H	FY19/2H	FY2019	FY20/1H results	FY20/2H forecast	FY2020 forecast	FY20/1H	FY20/2H	FY2020
Net sales	242	229	471	233	227	460	230	230	460
Operating income	20.2	11.0	31.2	16.5	13.5	30.0	12.0	18.0	30.0
Ordinary income	19.0	8.7	27.7	15.8	12.2	28.0	11.5	16.5	28.0
Net income	13.2	6.2	19.4	11.4	8.1	19.5	8.0	11.5	19.5
ROS	8.3%	4.8%	6.6%	7.0%	6.0%	6.5%	5.2%	7.8%	6.5%
Dividend	-	-	110 yen	-	-	110 yen	-	-	110 yen

Sales and Profit

[Consolidated]

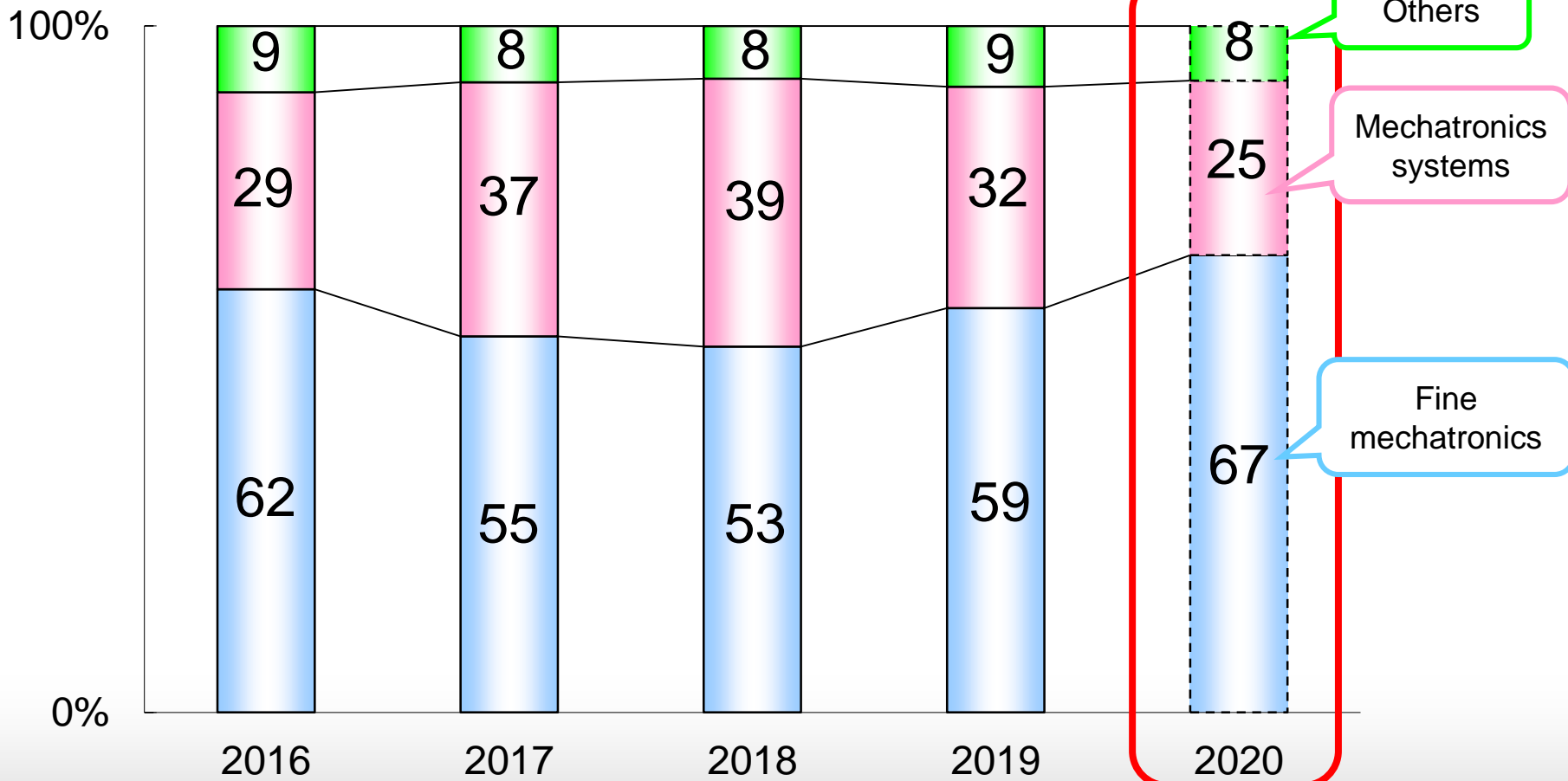
Unit: 100 million yen



Sales Ratio by Segment

[Consolidated]

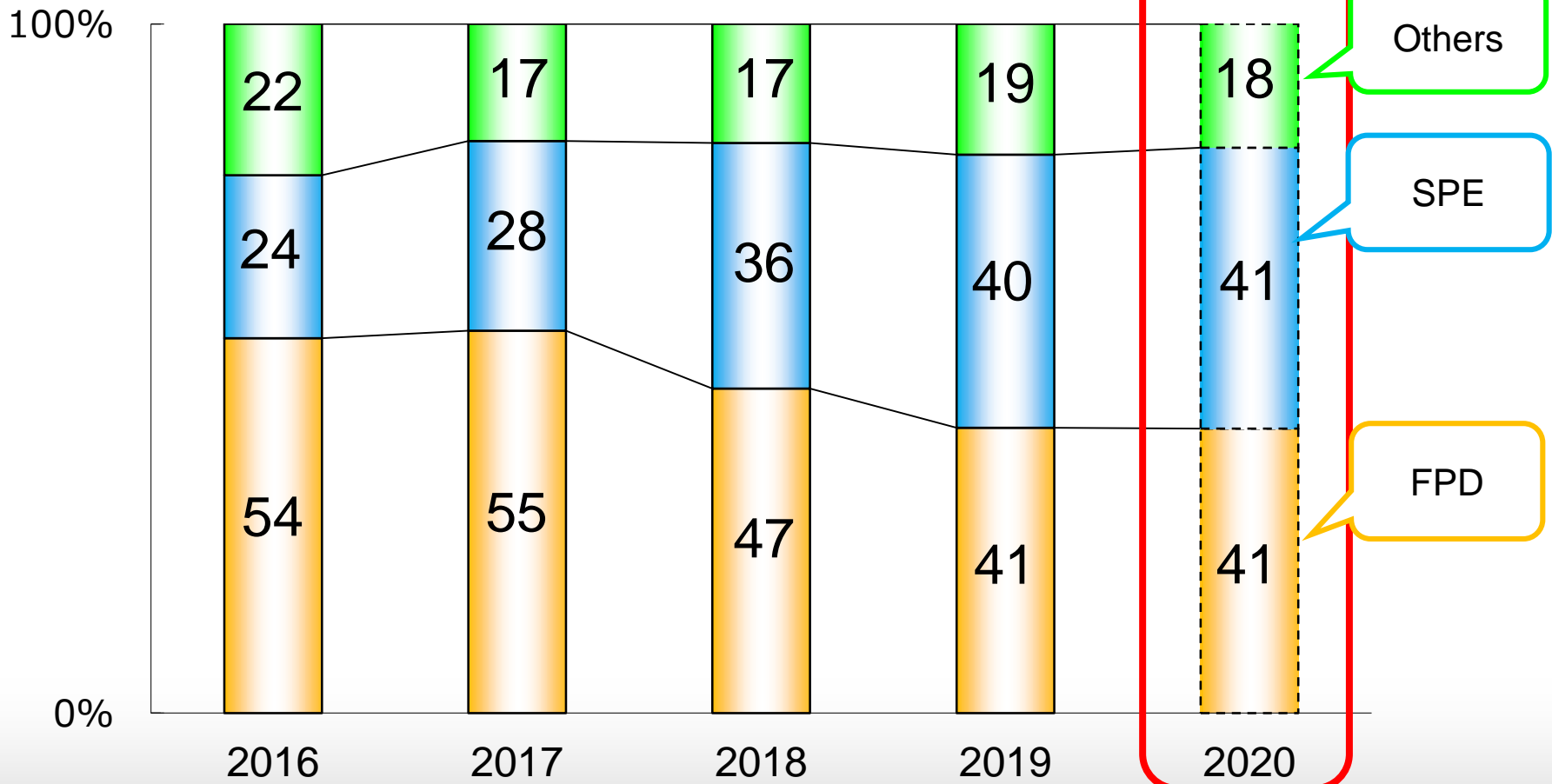
* Fine mechatronics : front-end process equipment for FPD and semiconductors
 Mechatronics systems : back-end process equipment for FPD, semiconductors and vacuum equipment



Sales Ratio by Product Field

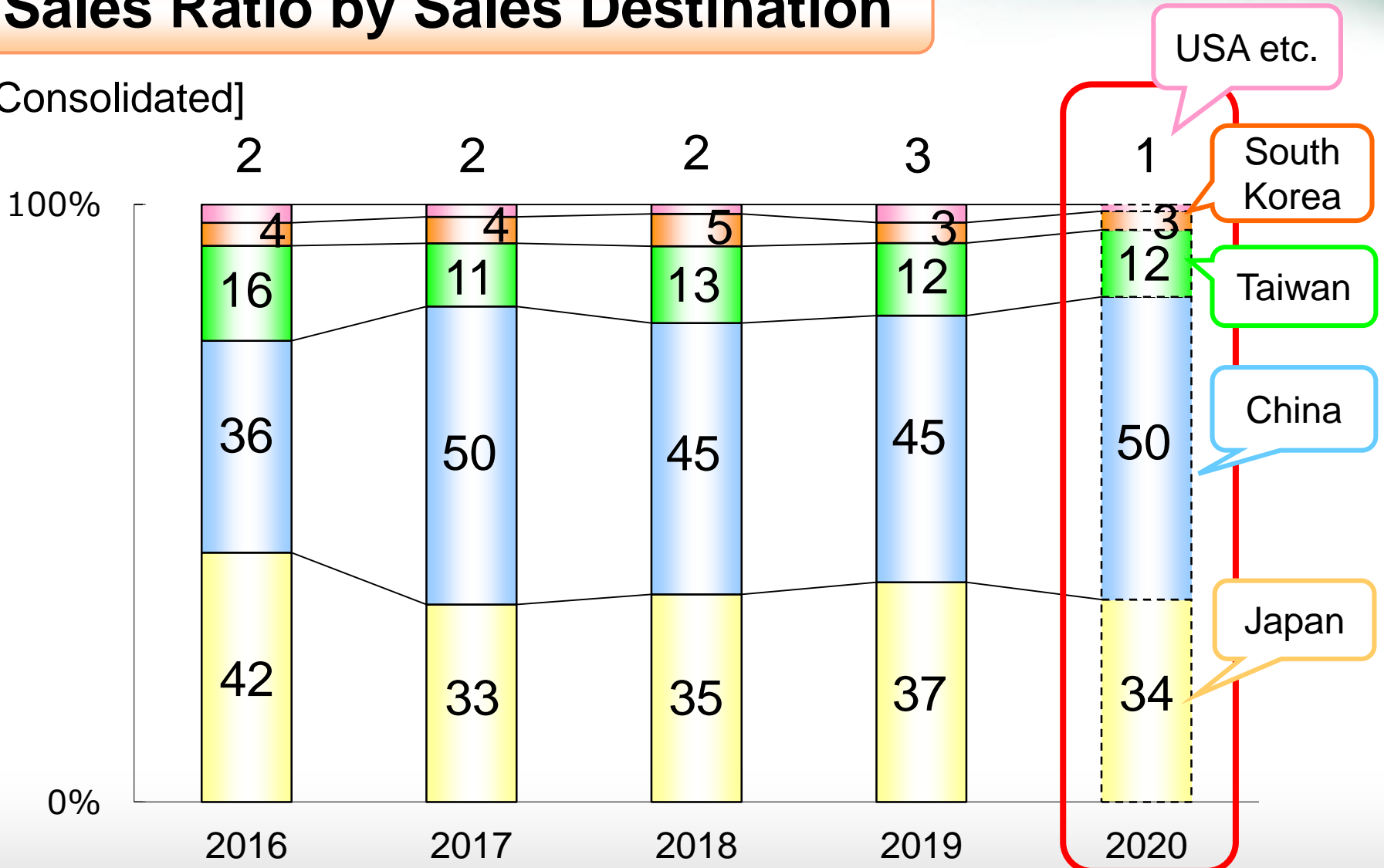
[Consolidated]

* FPD: front- and back-end process equipment for FPD
 SPE: front- and back-end process equipment for semiconductors



Sales Ratio by Sales Destination

[Consolidated]

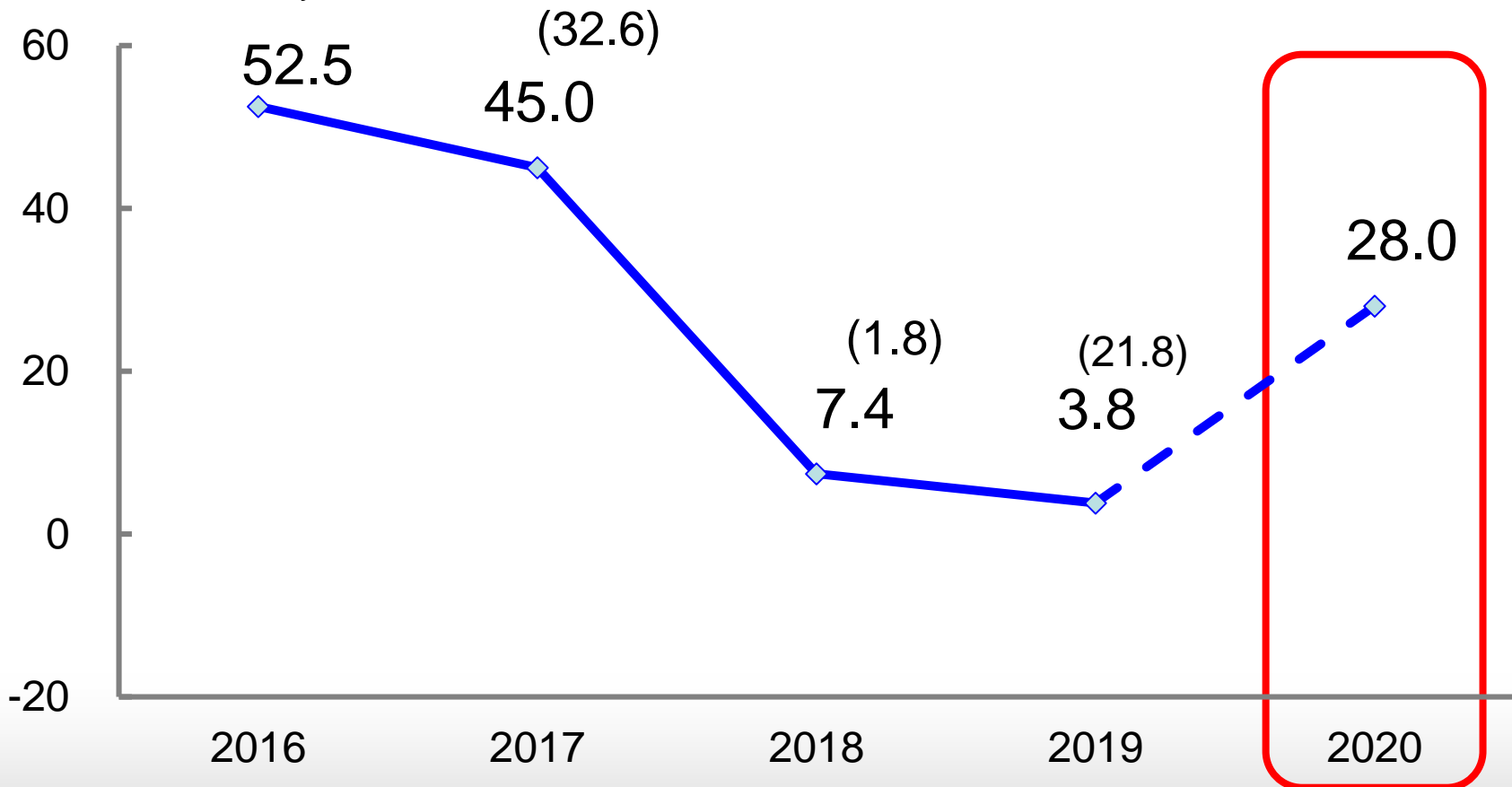


Free Cash Flow

[Consolidated]

Unit: 100 million yen

* Figures in parentheses: real free cash flow excluding the holiday effect of month-end-settlement



Balance Sheet

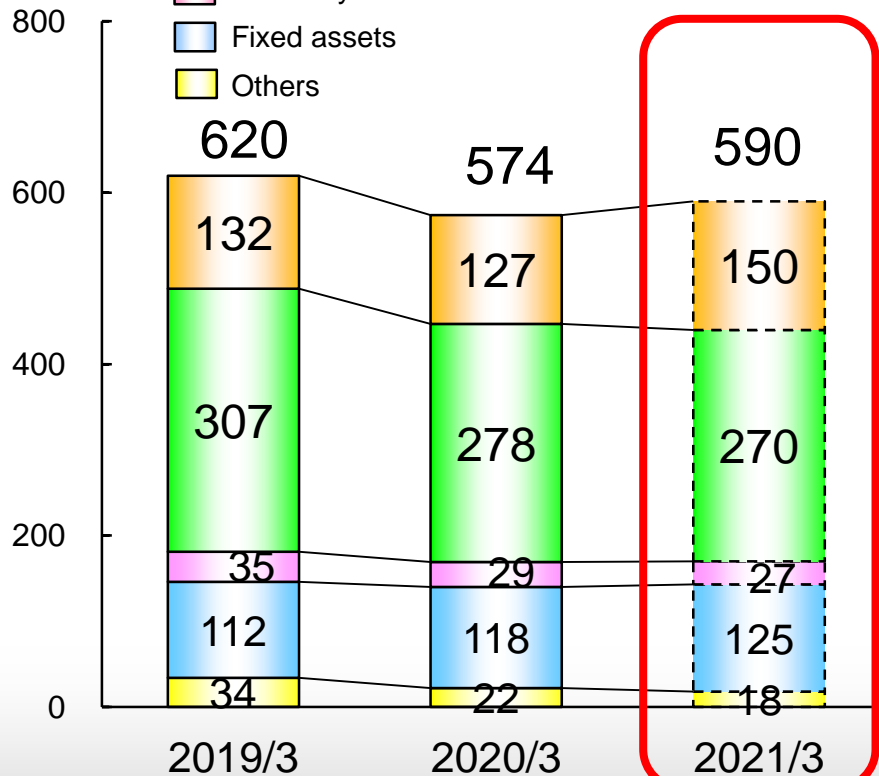
Net worth ratio 36%, D/E ratio 51%, ROE 9.5%

[Consolidated]

Unit: 100 million yen

Assets

- Cash and deposits
- Trade accounts receivable
- Inventory
- Fixed assets
- Others



Unit: 100 million yen

Liabilities and Net Assets

- Trade accounts payable
- Loans payable (long/short-term)
- Other liabilities
- Net Assets

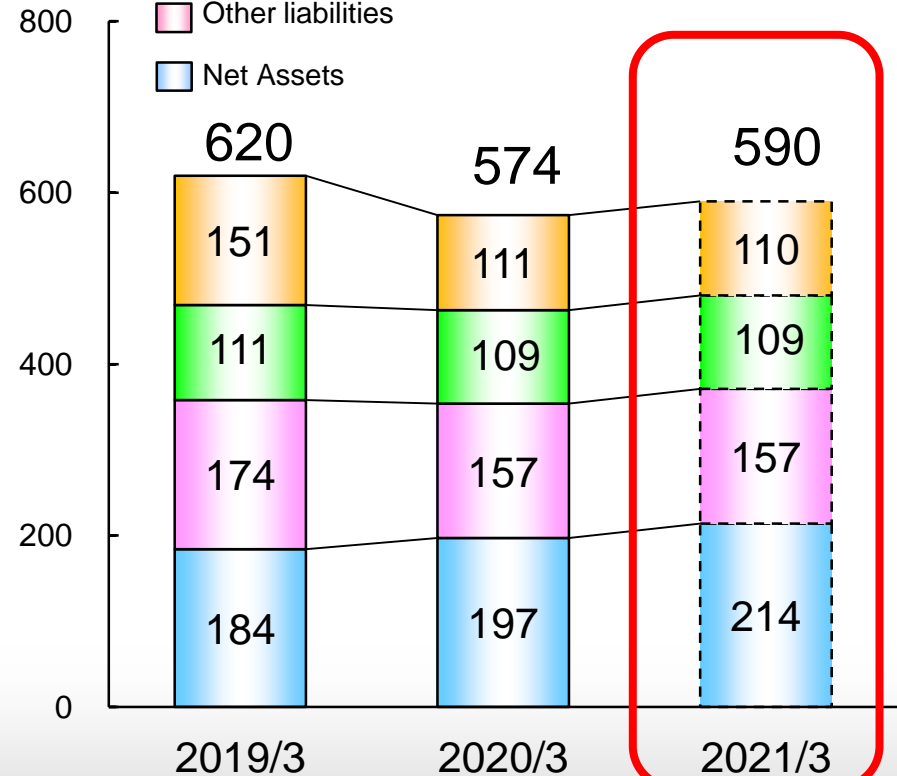


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Results (vs. FY2017–2019 Mid-Term Management Plan)

[Consolidated] Unit: 100 million yen	FY2017 results	FY2018 results	FY2019 results	3-year accumu- lation	Mid-Term Management Plan *1			
					FY2017	FY2018	FY2019	3-year accumulation
Orders received	534	510	466	1,510	500	530	540	1,570
Net sales	493	531	471	1,495	485	520	540	1,545
Operating income	25.0	40.0	31.2	96.2	20	25	27	72
Ordinary income	23.5	37.8	27.7	89.0	18	22	23	63
Net income	17.5	24.8	19.4	61.7	12	14	15	41
ROS	5.1%	7.5%	6.6%	6.4%	4.1%	4.8%	5.0%	4.7%
ROE	11%	14%	10%	12%	7%	8%	9%	-
Dividend*2	80 yen	140 yen	110 yen	330 yen	60 yen	70 yen	80 yen	210 yen

*1: Published in May 2017 *2: Calculated based on the criteria after stock consolidation (10 stocks into 1 stock) in October 2018

Summary

Orders received and sales were unachieved;
profit, ROS and ROE were achieved.

There was a change in the product mix due to expansion of SPE.

■ Orders received

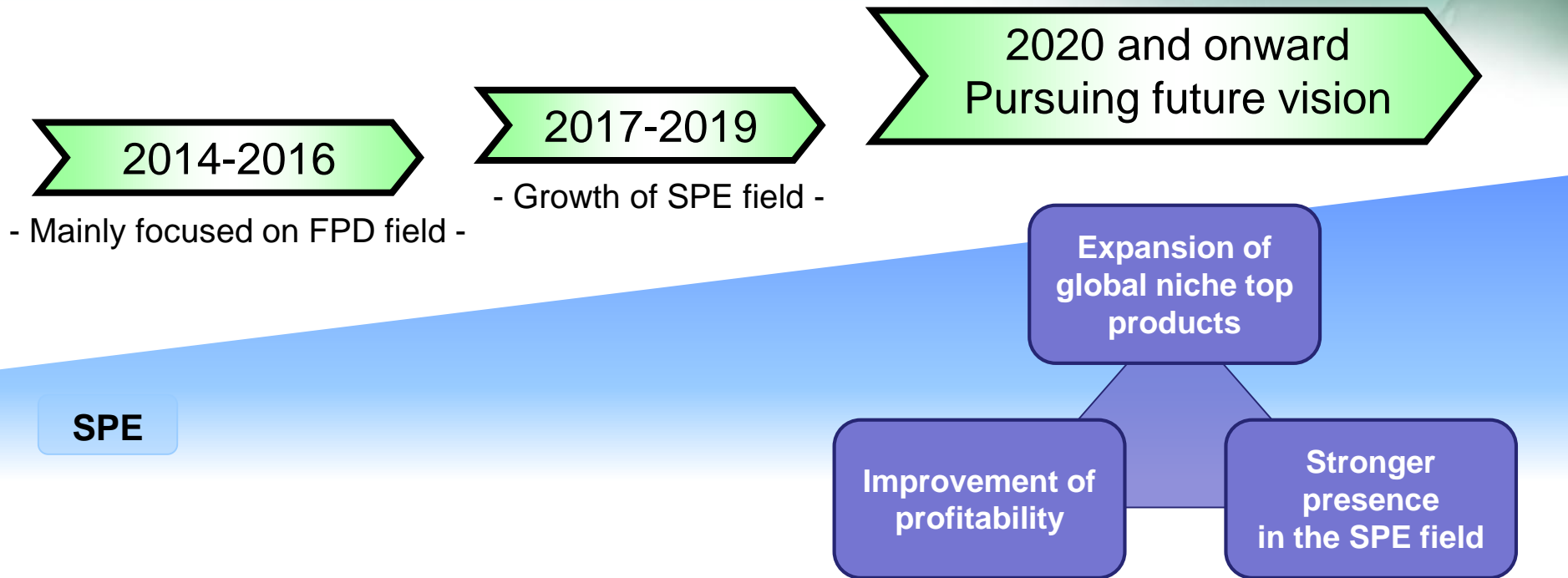
- Orders were sluggish in FY2019 because customers changed their investment plans mainly due to the effect of COVID-19.

■ Net sales

- Net sales were steady in FY2017 and FY2018 but decreased in FY2019 as a result of a decline in orders received.

■ Operating income

- Operating income target was achieved due to factors including an improved profit ratio as a result of change in the product mix and cost reduction.



FPD

Future vision	
◆	Contribute not only to IoT, 5G and AI technologies but also to the data society that will develop further in the coming years by providing cutting edge technologies through manufacturing equipment for semiconductors and FPD. -- From "manufacturing" to "creating value" --
◆	Grow to become a business group of a strong presence as the top of the global niche in the SPE field and a major supplier in the FPD field.

■ Top of global niche in the SPE field

Market outlook	Action
<p>Significant growth is expected in the future as the data society is rapidly developing.</p>	<p>Strive to first expand business as top of the global niche in SPE, aiming at further growth.</p>
	<p><Target> Wafer manufacturing process, mask manufacturing process, Phosphate etching process, FO-PLP/WLP, 2.5D</p>

■ Major supplier in the FPD field

Market outlook	Action
<p>Investments will plateau temporarily, but in a mid- to long-term perspective, substantial growth is expected because displays are indispensable devices in the data society.</p>	<p>Aiming to be a major supplier continuously in FPD, enhance the competitive strength of flagship products and develop products for supporting new displays.</p>
	<p><Target> OLED, μLED, and newer display models</p>

Financial Target

Net sales 46.0 → 51.0 billion yen
(FY2020) (FY2022)

FY2022 ROS 10% or higher

Main management index

[Consolidated]

Unit: 100 million yen

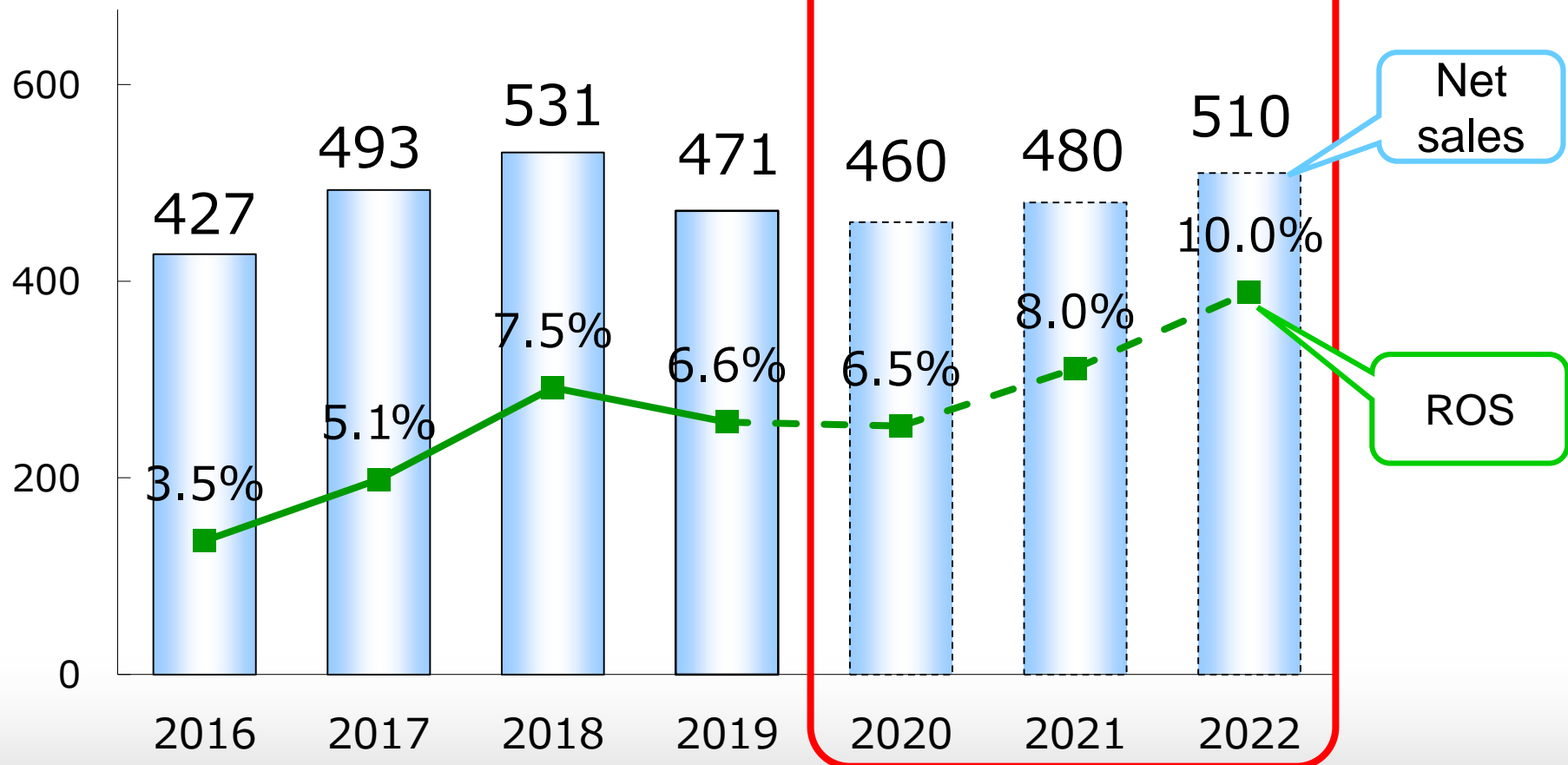
	FY2019 (Results)	New Mid-Term Management Plan		
		FY2020 (August financial forecast)	FY2021	FY2022
Net sales	471	460	480	510
Operating income	31.2	30.0	38.5	51.0
ROS	6.6%	6.5%	8.0%	10.0%
ROE	10%	9.5%	11.5%	13.0%

* ROS: return on sales

Sales and ROS

[Consolidated]

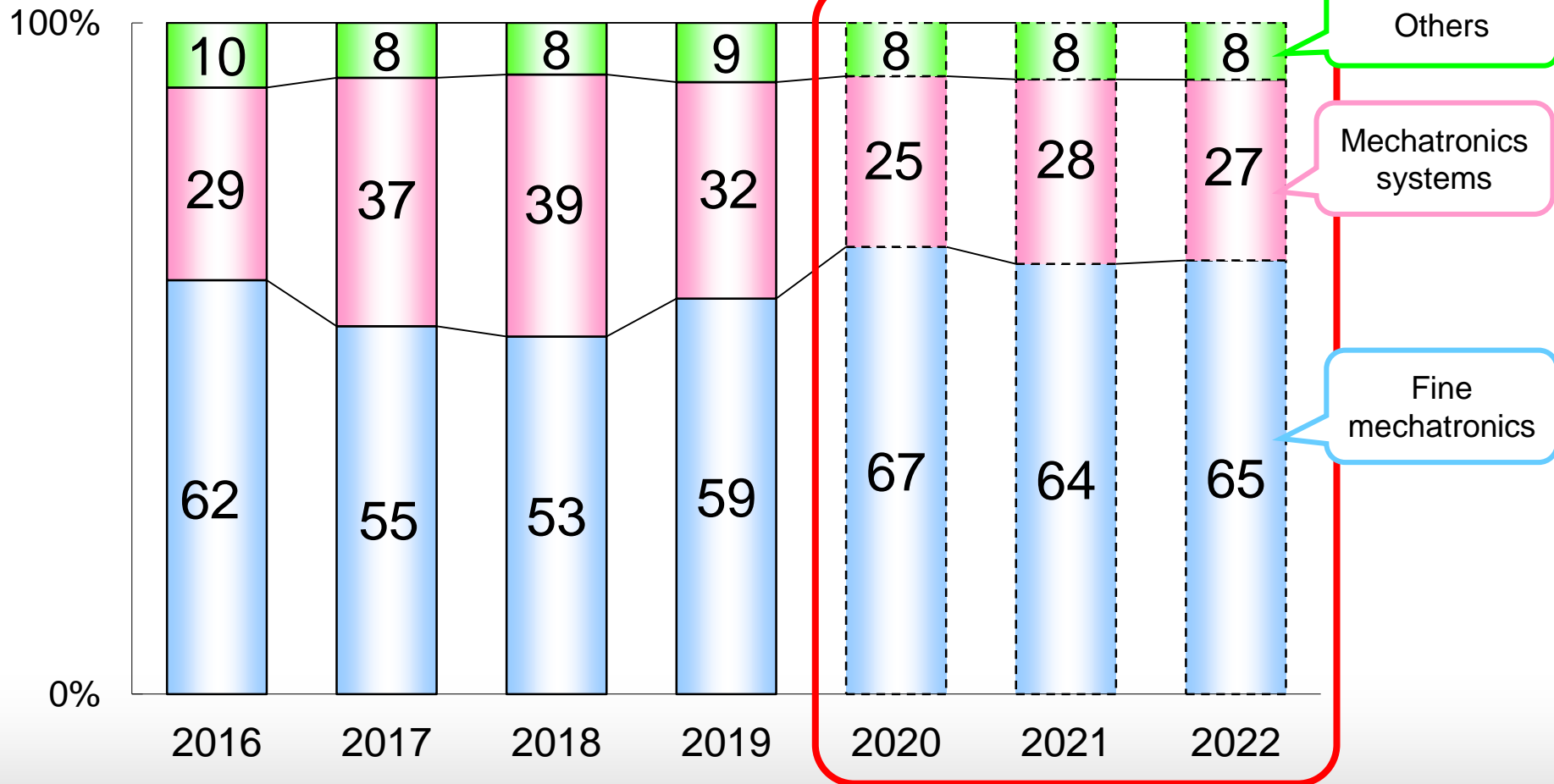
Unit: 100 million yen



Sales Ratio by Segment

[Consolidated]

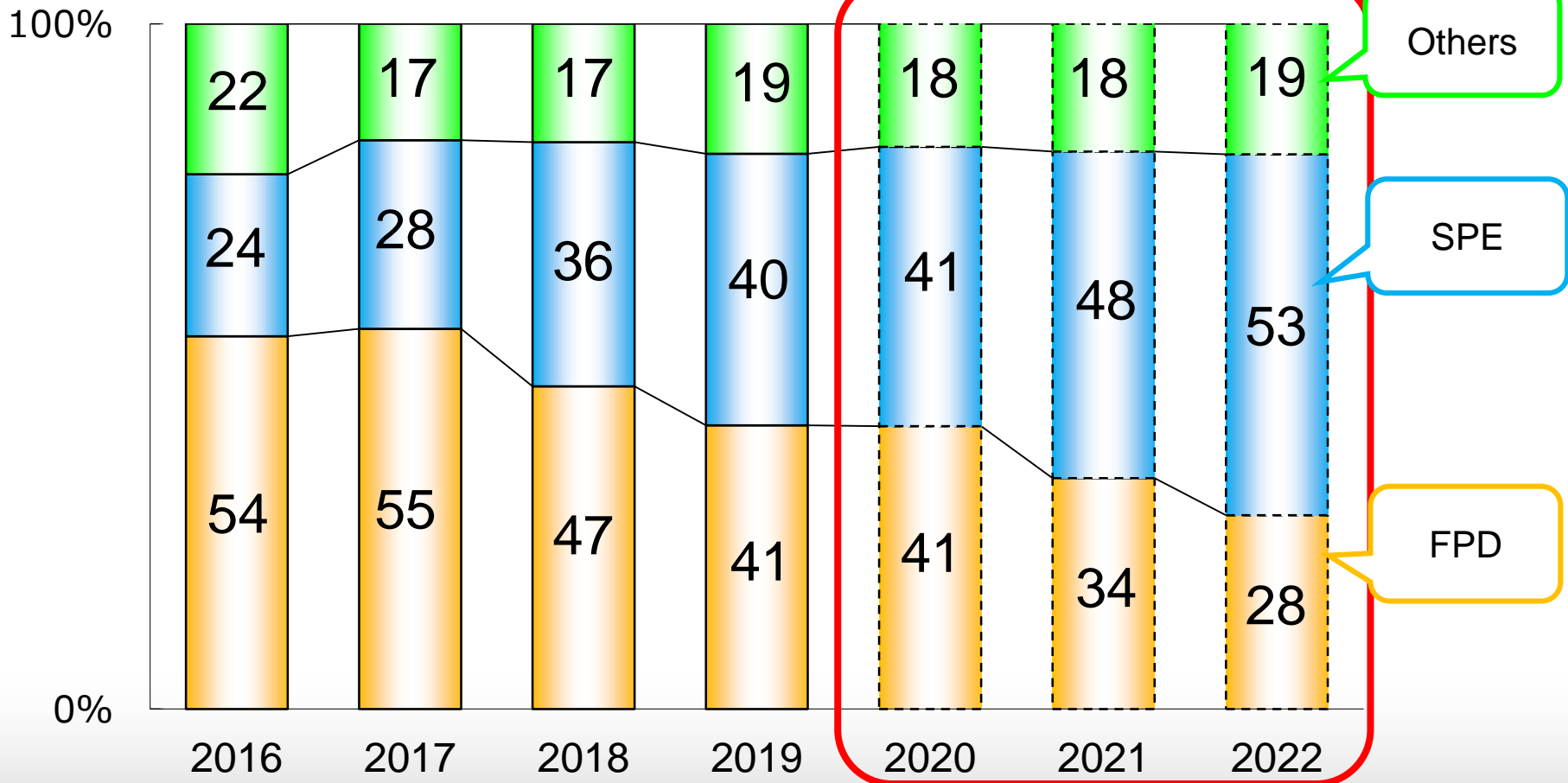
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 Mechatronics systems : back-end process equipment for FPD and semiconductors, vacuum equipment



Sales Ratio by Product Field

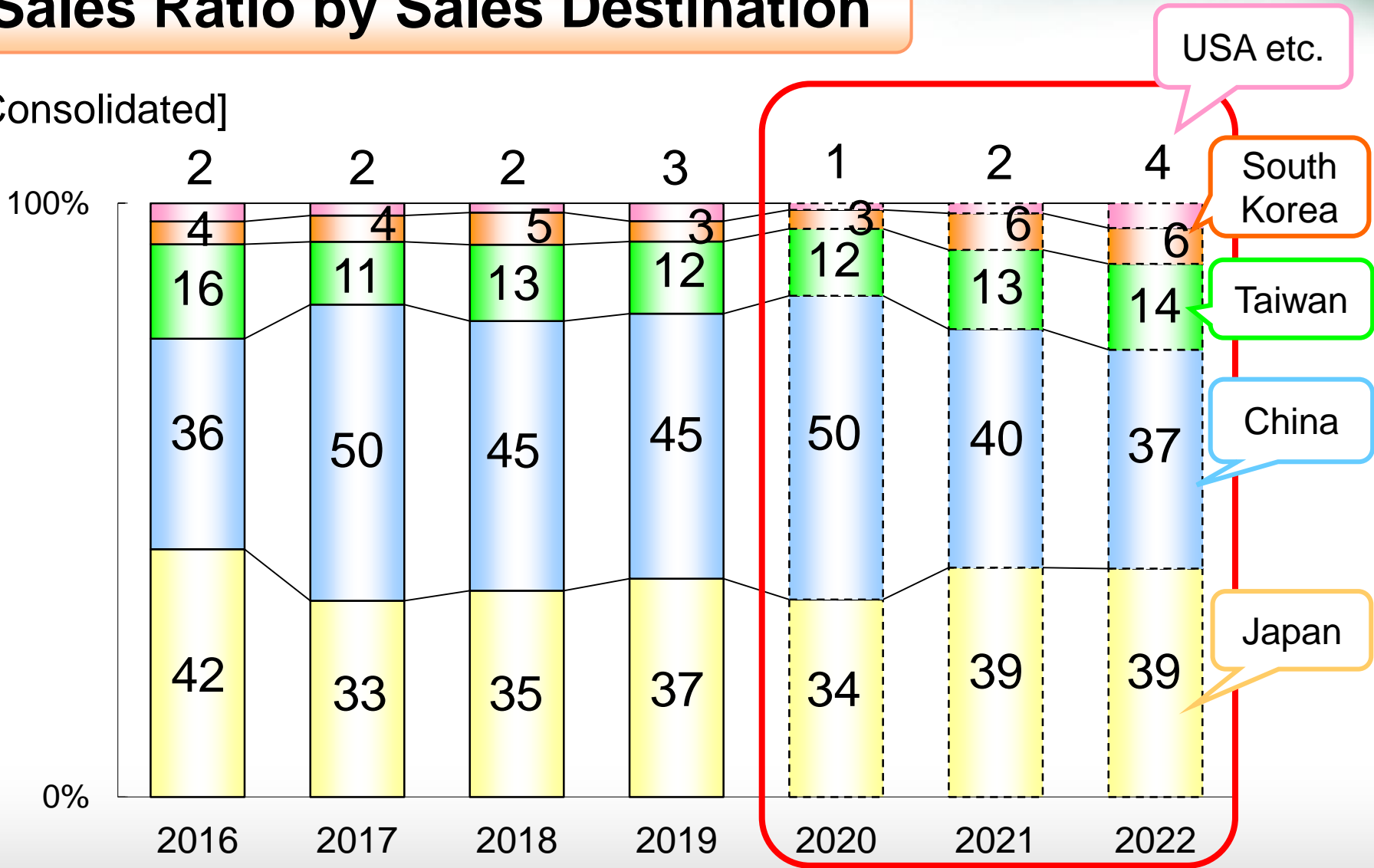
[Consolidated]

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 SPE: front- and back-end process equipment for semiconductors



Sales Ratio by Sales Destination

[Consolidated]

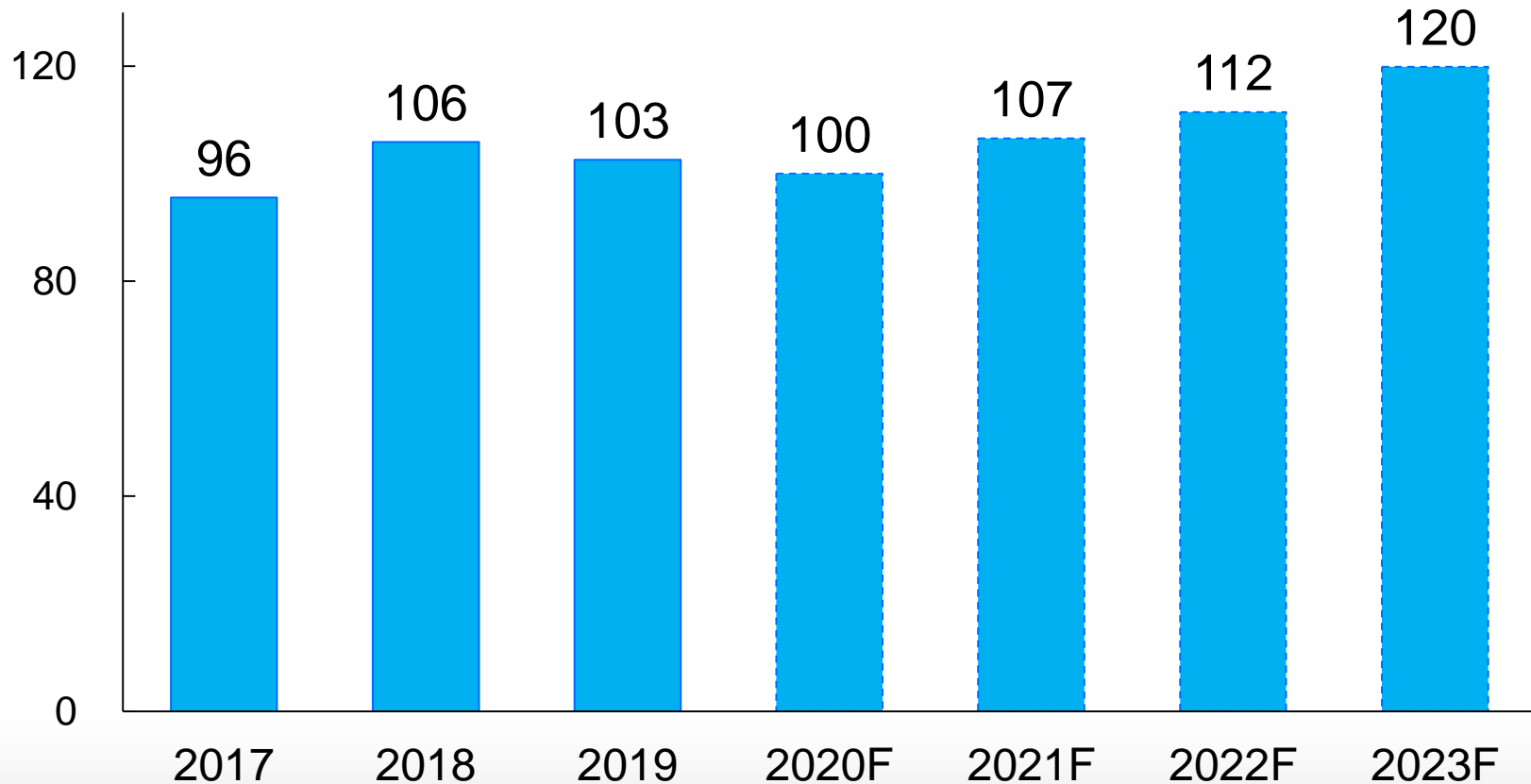


Semiconductor Plant/Equipment Investments Forecast

* Source: IC Insights 2020-7
The chart was prepared by our company.

Investments in semiconductor plants and manufacturing equipment are expected to remain firm.

Unit: Billion US\$





Contribute to cutting-edge miniaturization

*GNT: Global Niche Top

Aim to win the top position in the world in several moderate-size markets with our differentiating technology.

GNT : We have top share

GNT : GNT we aim to win top share of

GNT : We are in the top share group

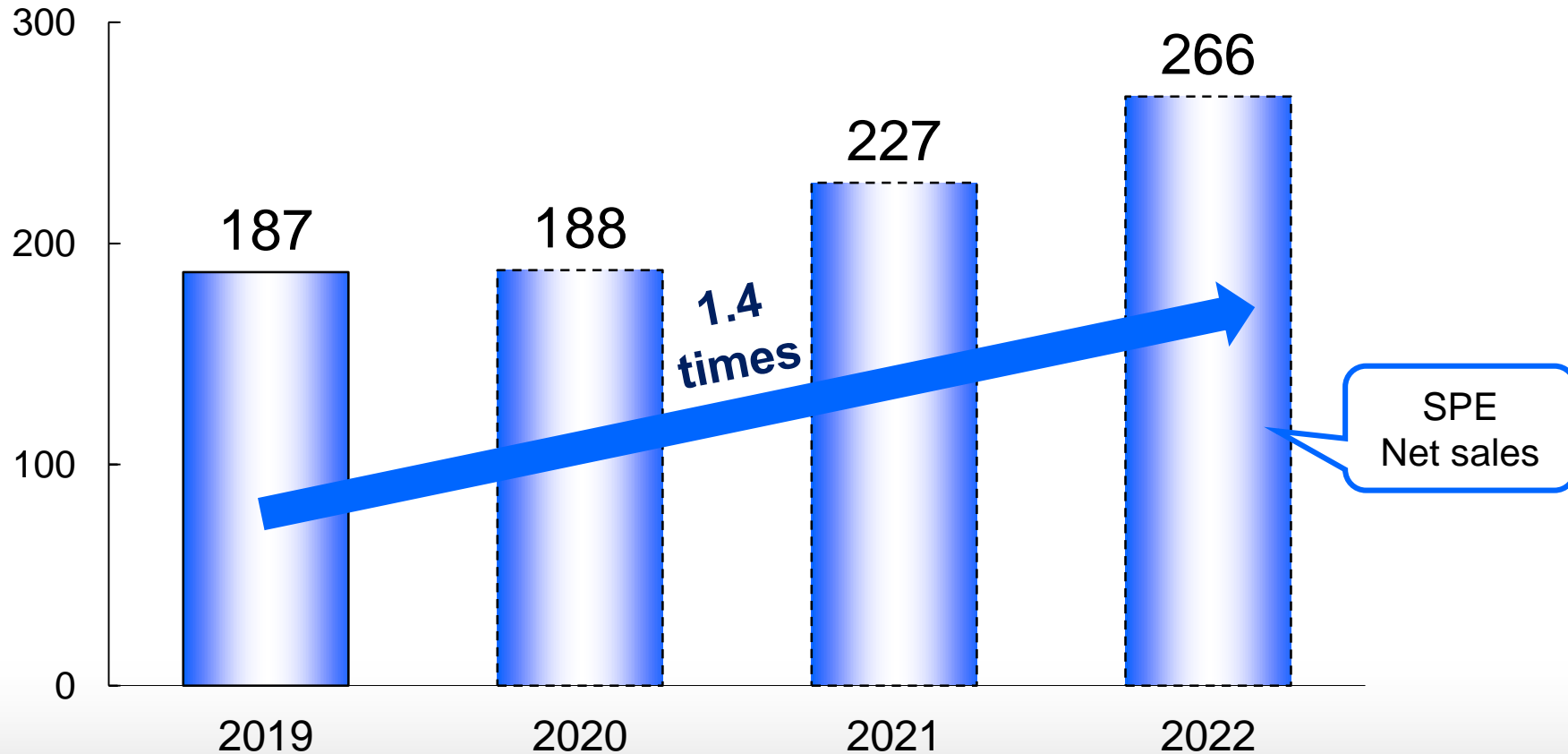
Process	Equipment	Main target products	Key point
Si wafer manufacturing	Single wafer wet cleaning equipment GNT	300 mm wafer (prime, reclaim)	Supporting a particle size of 15 nm and expanding application of single wafer cleaning process
Photomask manufacturing	• Etching equipment GNT • Single wafer cleaning equipment	Mask Blank, PSM, EUV mask, Next-generation EUV Mask	<ul style="list-style-type: none"> • Mass production equipment for next-generation EUV • New cleaning technology that is first in the industry
Wafer process	Single wafer phosphoric etching equipment GNT	Logic/foundry → CPU, GPU, FPGA, AP for mobile devices	Expanding application to mass production of the 5nm generation or later in sequence
Module process	High-accuracy flip chip bonder GNT	FO-WLP/PLP, 2.5D, CoW bonding, Chip let	<ul style="list-style-type: none"> • Expanding applicable PKG of FO-WLP/PLP • CoW-applied bonder having accuracy at the highest level in the industry is under development.

SPE Expansion with Global Niche Top Products

[Consolidated]

SPE sales are increasing with expansion of global niche top products:
18.7 billion yen in FY19 → 26.6 billion yen in FY22

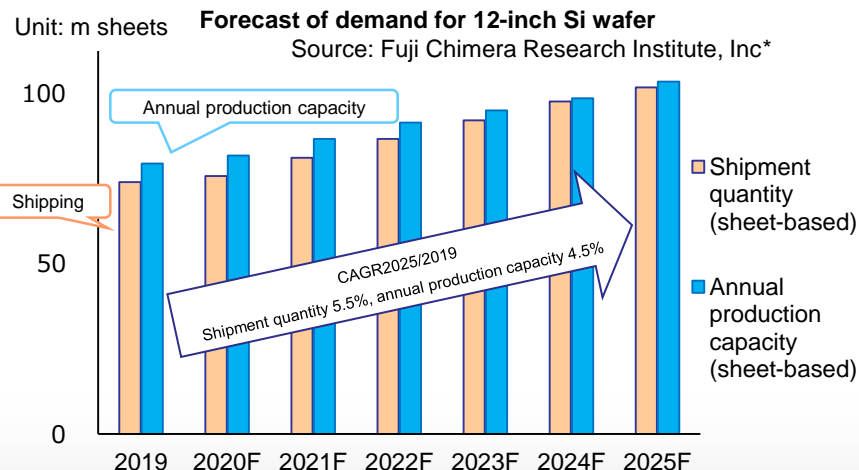
Unit: 100 million yen



Si wafer manufacturing - Single wafer wet cleaning equipment

GNT

Single Si wafer wet cleaning equipment
(New product SC300-CC released in FY2019)



* Fuji Chimera Research Institute, Inc. "Reality and Future Perspectives of Cutting Edge / Notable Semiconductor Related Market 2020"

The chart was prepared by our company.

Driver for growth

Product market

- Continuous growth is expected.
- Investment to increase production, investments for cutting-edge and high-quality wafer
- Increasing demand for high-cleanliness wafer, increasing ratio of adoption of single wafer equipment

Advantage

- Top share of the market
- Equipment that supports nanoparticles (15 nm) for cutting-edge wafer
- Plan to release a new product with significantly improved productivity

Strategy

Further expansion of market share through collaboration with pre- and post-processes, materials and components.

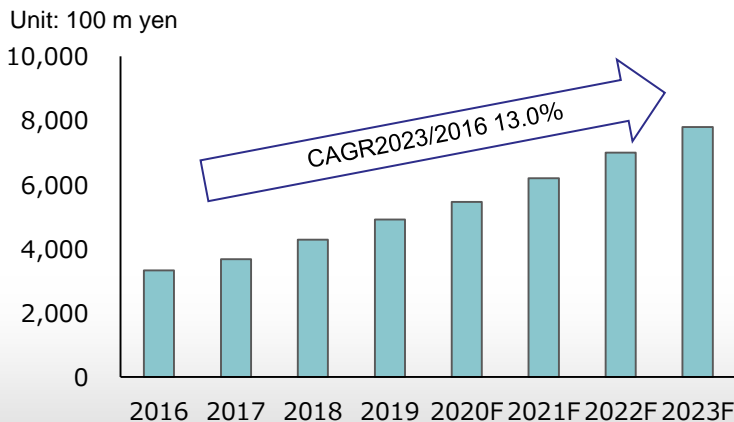
Photomask Manufacturing - Etching equipment, single wafer cleaning equipment



Advanced Reticle Etching System (ARES Series)



Forecast of semiconductor photomask market size
 Source: Electronic Device Industry News (April 2020)
 Partial survey and the chart were prepared by our company.



Driver for growth	
Product market	Market will grow with full-scale mass production of products belonging to the EUV generation
Advantage	<p><Etching equipment></p> <ul style="list-style-type: none"> • New product supporting next-generation EUV • High linearity enabled by high-precision dimension control <p><Cleaning equipment></p> <ul style="list-style-type: none"> • New product supporting next-generation EUV • Cleaning technology of high cleanliness with no chemicals and free from damage
Strategy	<p><Etching equipment></p> <ul style="list-style-type: none"> • Horizontal development based on successful introduction by major customers. • Increase of market share by next-generation EUV <p><Cleaning equipment></p> <p>Increase of market share by sales promotion to mask blank manufacturers and mask shops.</p>

Wafer process - Single wafer phosphoric etching equipment

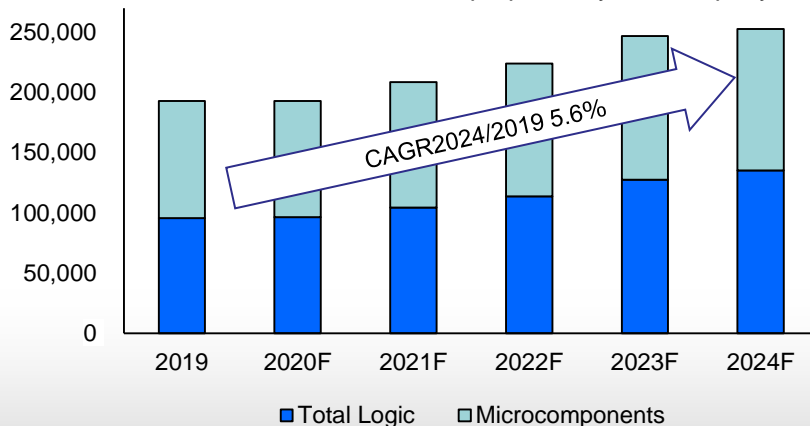
GNT

Single wafer phosphoric etching equipment (SC300-HT Series)



Forecast of market size by device (Logic, Microcomponents)

Unit: \$M
Source: IC Insights (July 2020),
The chart was prepared by our company.



Driver for growth

Product market

- Cutting-edge logic market continues to grow (5G, AI, etc.)
- Continuous miniaturization from the 5nm generation or later

Advantage

- Applicable to process for the 5nm generation or later
- Next-generation drying technology
- Precision control of etching rate, low particles

Strategy

- Maintain top market share based on successful adoption by major foundries
- Develop high-productivity equipment using a new platform
- Expand process applications of phosphoric etching

Module Process -

High-accuracy flip chip bonder (FO-WLP/PLP, 2.5D and others)

GNT

Advanced package bonder (TFC-6000 Series)



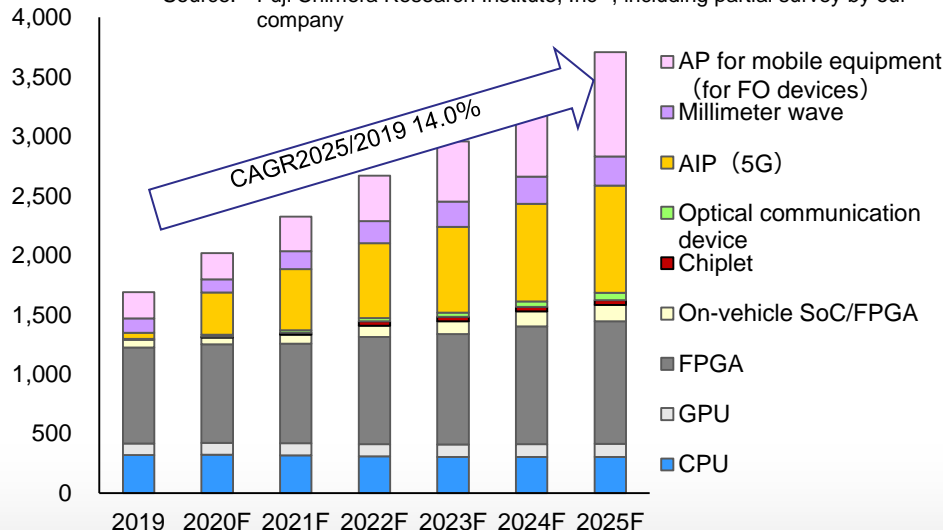
FO-PLP bonder (TFC-9000 Series)



Unit: m pieces

Forecast of end product shipment (for main targets)

Source: Fuji Chimera Research Institute, Inc *, including partial survey by our company



Driver for growth

Product market

In the field of advanced package, Fan-Out devices in relation to 5G are increasing with a trend shifting to multipackage of chips for each optimum node

Advantage

- Wide range of bonders applicable to various advanced packages
- FO-PLP enables both high productivity and high accuracy
- Plenty of adoption by major foundries and OSATs

Strategy

- Further expansion of top share in high-accuracy Fan-Out bonder market
- Development of a multi-Die-compatible bonder with higher accuracy that supports advanced packages

* Fuji Chimera Research Institute, Inc. "Reality and Future Perspectives of Cutting Edge / Notable Semiconductor Related Market 2020"

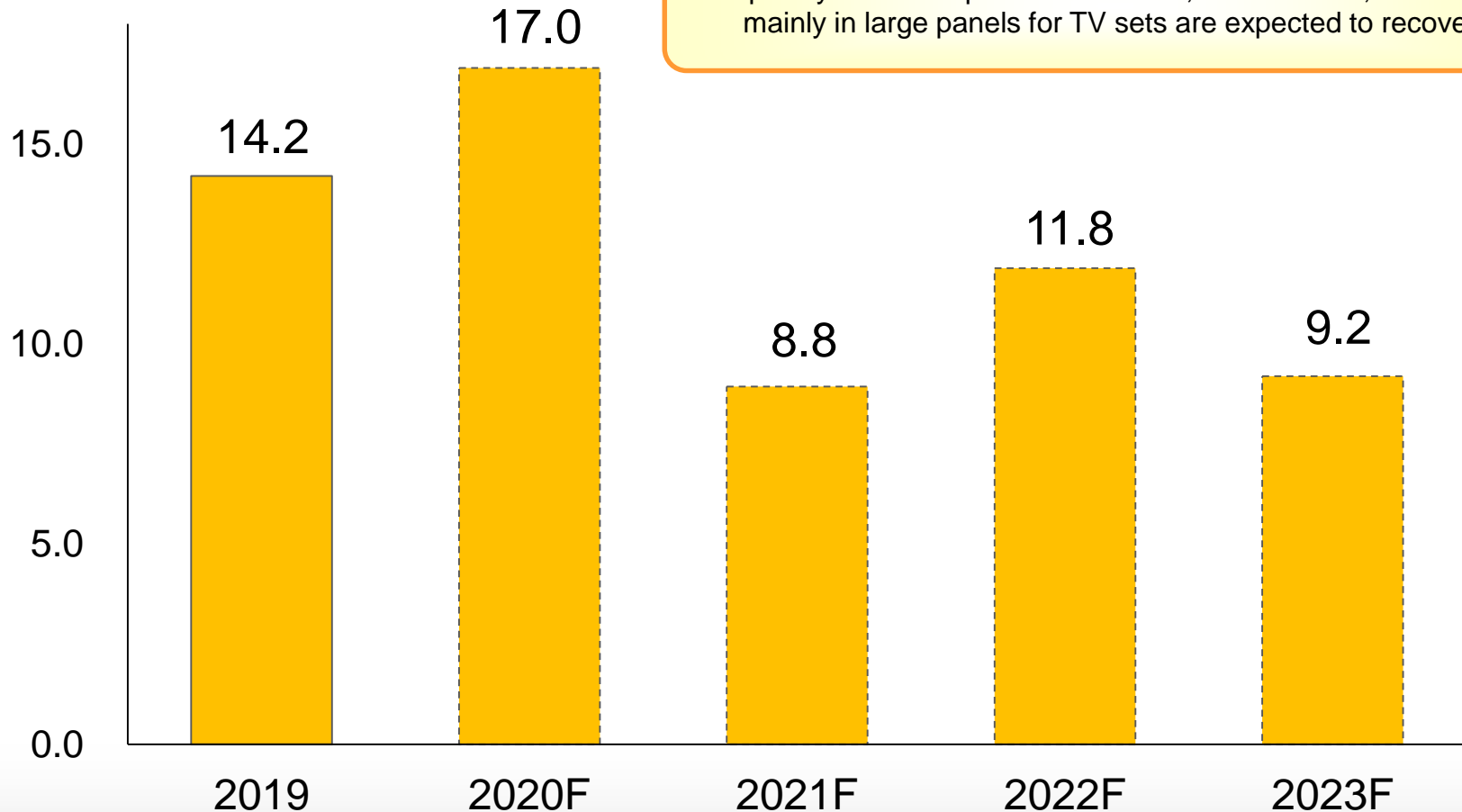
The chart was prepared by our company.

Equipment investments forecast

* Source: DSCC 2020- 8
The chart was prepared by our company.

Unit: Billion US\$

Temporary decline is predicted in 2021, but after that, investments mainly in large panels for TV sets are expected to recover.



Enhancement of flagship product competitiveness, launch of new products into the market

◎: Large share ○: Flagship product ★: New target

End product/application			Wet process	PI ink jet	High vacuum clean oven	OLB
LCD, OLED	LCD	TV, etc.	◎	◎		◎
	Mid/small-size OLED	Watch, smartphone, PC, tablet, monitor, etc.	◎		○	○
	Large-size OLED	TV, etc.	○		★	○

End product/application			Wet process	μLED/mini LED bonder	μLED tiling	OLB
LED-related	μLED (miniLED)	Digital-signage, TV, VR/AR, watch, glasses, etc.	★	○	★	★
	miniLED backlight	TV, PC, tablet, etc.		○		○

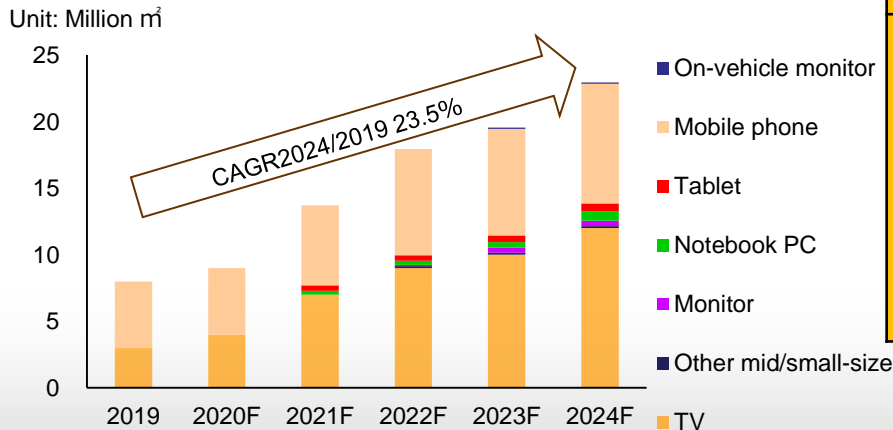
OLED – High Vacuum Clean Oven

High vacuum clean oven for flexible OLED



Forecast of OLED products demand in area

Source: DSCC (2020), The chart was prepared by our company.



Driver for growth

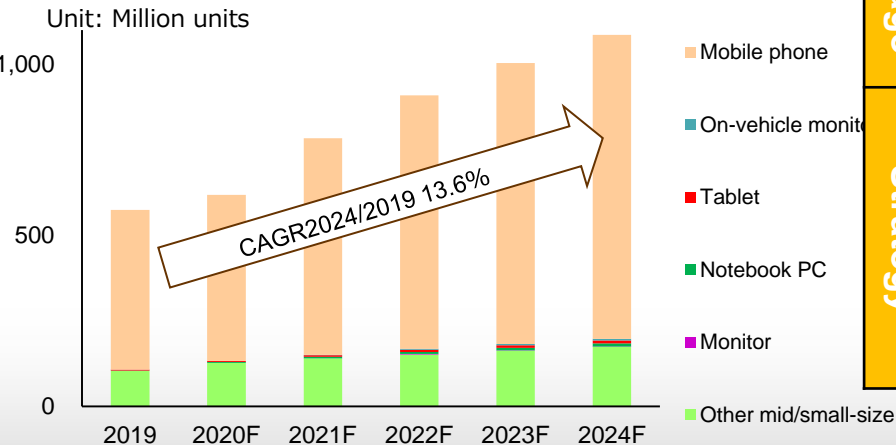
Product market	<ul style="list-style-type: none"> Demand for OLED products continues to increase mainly for mobile devices. Development to large-size OLED substrate for TV application are expected in the coming years.
Advantage	<ul style="list-style-type: none"> Newly introduced “High Vacuum Clean Oven” for curing PI in vacuum (low particle, low C.O.O) Maintenance made easy because of much less sublimate
Strategy	<ul style="list-style-type: none"> Provide differentiation in equipment performance and a high additional value in collaboration with material manufacturers Aim to achieve top share in PI curing process and expand application to other processes

OLED - Mid/small-size OLB

Mid/small-size OLB for OLED



Forecast of Mid/small-size OLED products market volume
 Source: DSCC (2020) ,The chart was prepared by our company.



Driver for growth	
Product market	<ul style="list-style-type: none"> • Demand for OLED products continues to increase mainly for mobile devices. • Demand will increase for mid-size products such as foldable smartphones, notebook PCs and on-vehicle applications.
Advantage	<ul style="list-style-type: none"> • Overwhelming top share in OLB for LCD • Differentiating technologies from competitors (contributing to higher yield through high accuracy, low particles and stable operations)
Strategy	<ul style="list-style-type: none"> • Increase market share by winning major users • Promote further development of differentiating technologies, keeping VOC in mind • Provide equipment proposals including peripheral equipment to enhance added value

μLED - μLED Bonder and its peripheral process equipment

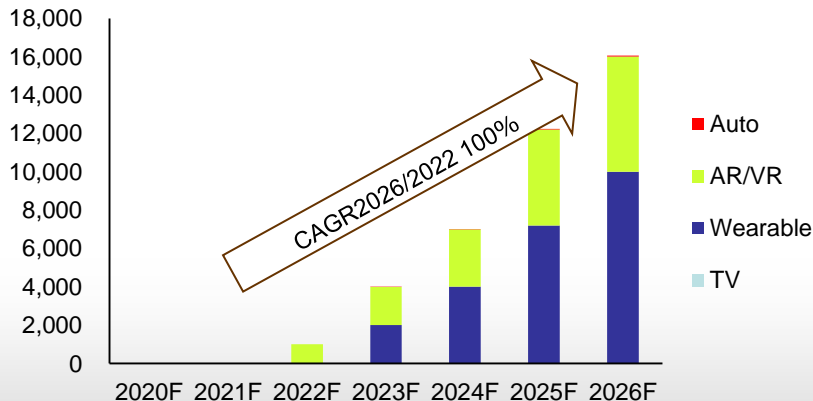
High-accuracy μLED bonder



Forecast of μLED display shipment in quantity

Source: DSCC (2020), The chart was prepared by our company.

Unit: 1000 units



Driver for growth

Product market	<ul style="list-style-type: none"> It is expected to be a candidate for next-generation displays and its future growth is highly prospective. Development for large- and small-size displays are in progress.
Advantage	<ul style="list-style-type: none"> Product development using our high-accuracy bonder technology Adoption by major companies mainly for mass transfer and repair process.
Strategy	<ul style="list-style-type: none"> Promote development through collaborative relationship with leading customers in industry Offer products according to the process for large- and small-size displays Cultivate peripheral process demand using the core technologies possessed by our company

Deposition - Sputtering Equipment

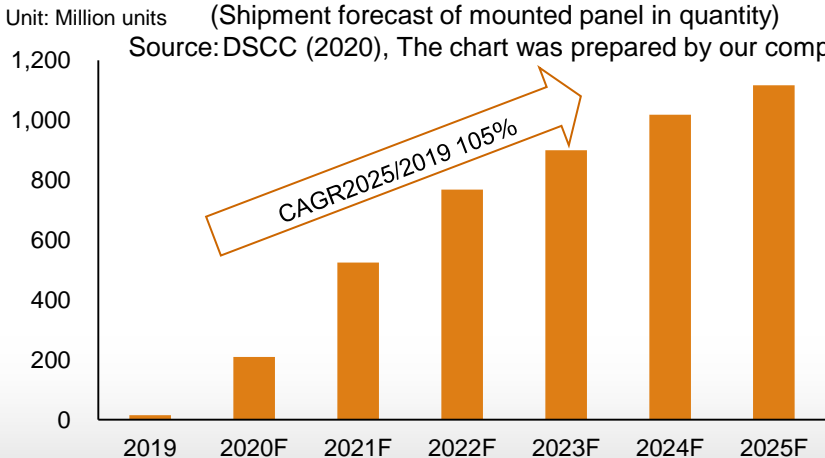
Multilayer sputtering equipment CCS Series
(EMI shield, electronic parts deposition, etc.)



Forecast of 5G-capable smartphone

(Shipment forecast of mounted panel in quantity)

Source: DSCC (2020), The chart was prepared by our company.



Driver for growth

Product market	Demand for noise-preventive measures due to miniaturization and higher density of devices and packages toward 5G
Advantage	Developed the EMI shield that shields both low frequency (100 kHz -10 MHz) and high frequency (10 MHz or more) with our unique multilayer structure.
Strategy	<ul style="list-style-type: none"> Accelerate earning the evaluation with major manufacturers of semiconductors and electronic parts Continue to perform material development toward achievement of lower costs

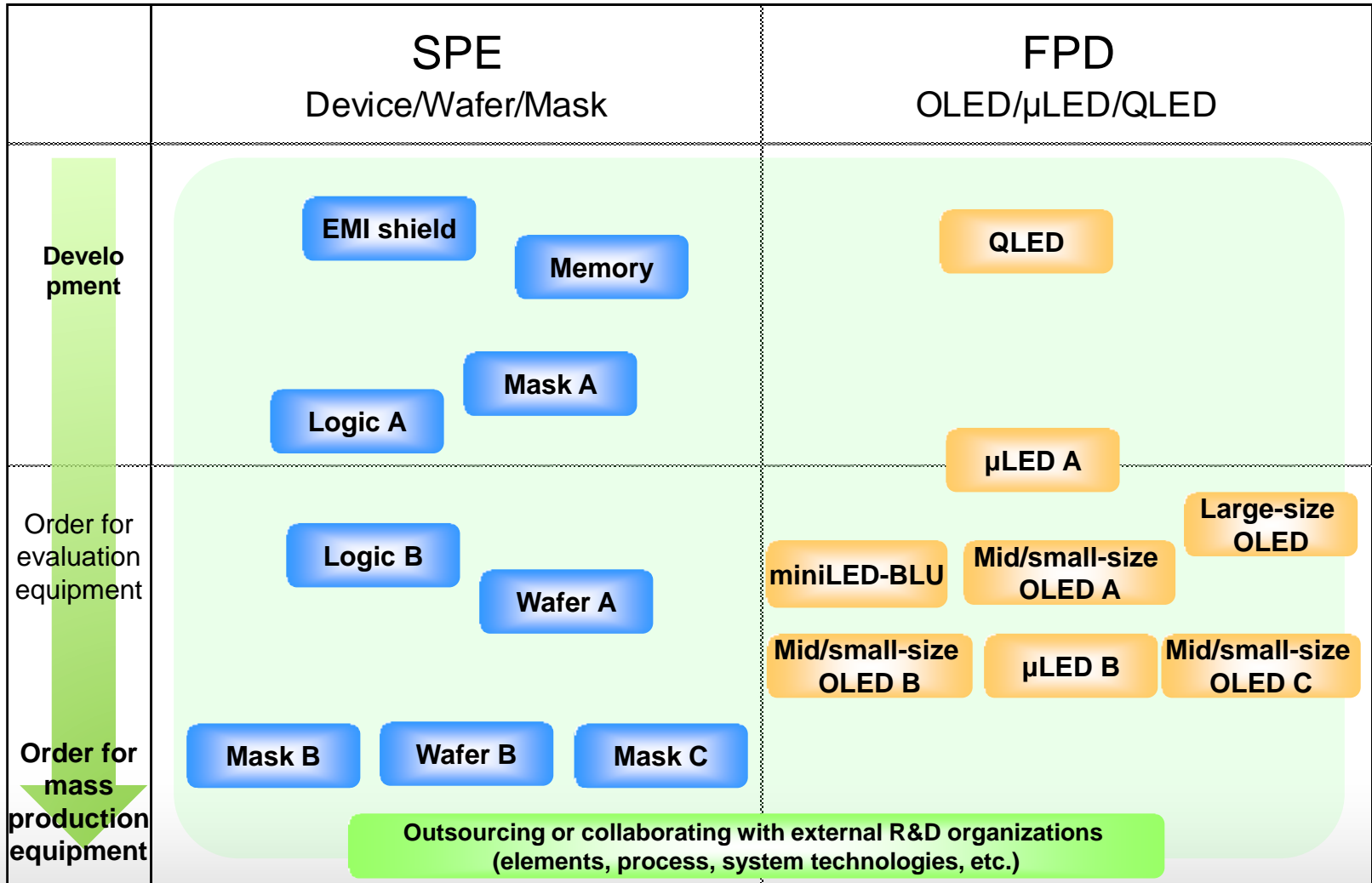
Basic Policy

- Invest 9 billion yen within the 3 years of the new mid-term plan.
- Focus more on R&D in the SPE field
- Continuously expand collaborations with other companies

Collaboration with other companies ①

- Collaborate with equipment manufacturers, material manufacturers, device manufacturers, laboratories and universities to accelerate developing strong products.
- Collaborate with major shareholders (Toshiba Corporation, Shin-Etsu Engineering Co., Ltd., and NuFlare Technology, Inc.).
- Projects of a total of 17 main themes are in progress.

Collaboration with other companies ②



Ratio to sales: 19% in FY19 → 23% in FY22

- Develop service business through collaboration among a total of four subsidiaries consisting of a domestic service provider and local ones in Taiwan, China and South Korea
- Strengthen service business particularly in Chinese market where existing equipment have been rapidly increasing.
- Aim at prolonging life and enhancing functions and productivity of equipment by responding to the EOL needs*

*EOL (end of life) needs: Needs for enabling continuous use of equipment by replacing discontinued parts with new or alternative ones

ROS Improvement: 6.6% in FY19 → 10.0% in FY22

- Expanding sales of high value-added products
 - Expand SPE business
 - Reinforce competitiveness of flagship FPD products and expand sales of new products
- Reducing variable expenses
 - Enhance the operation and quality of design, manufacturing and sales through standardization
 - Reduce costs through VA activities and expanding suppliers
 - Promote localization including manufacturing, installation and after-sale services
- Reducing fixed costs
 - Improve work efficiency by implementing Work Style Reform
 - Reduce fixed cost related to operation and administrations

■ Dividend Policy

With the maintaining of a dividend supported by business results, we aim to achieve a dividend payout ratio (consolidated net income) of 25% to 30% in total consideration of our financial positions.

Product Target

Ratio of environmentally conscious products
Target: 85% or more of sales

Business process Target

Energy consumption at business office
Target: Reduction by 1% YoY
(per energy intensity)

Zero emission ratio*1
Target: 0.5% or less

*1: Landfill amount/total waste amount

We operate our business focusing on ESG in order to contribute to the realization of a sustainable society and the enriching lives of people



Smart Solutions & Services for Your Manufacturing

We will contribute to customers' manufacturing through three S's: "Smart," "Solutions," and "Services."

Financial projections and other descriptions of our future performance contained in this material are based on information currently available to us and certain assumptions which we think are reasonable, and are not intended as our commitments.

Actual results may differ materially from these statements due to various factors.

END