

May 12, 2017

To All Persons Concerned

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Establishment of Medium-term Management Plan

This is to inform you that the SHINKAWA group has established a medium-term management plan "**Challenge Shinkawa 2020**" with the fiscal year ending March 31, 2021 as the final year.

1. Medium-term Management Plan "Challenge Shinkawa 2020"

To address the trend of the semiconductor packaging business toward increasingly miniaturized, high-precision and low-cost devices, the Group has engaged in several initiatives. These include promoting the sales of cost-competitive and high-value-added products, acquiring new customers including major OSAT providers, and transferring production to the Thai factory to reform the earnings structure. These measures have proceeded steadily and, in the fiscal year ended March 31, 2017, the Group broke out of deficit for the first time in eight consecutive years.

In recent years, not only personal computers and smartphones but also various products such as household electric appliances, automobiles and factory equipment have begun connecting to the internet, ushering in the IoT (Internet of Things) society. As the IoT field is expected to be a new driving force in the semiconductor market as well as a trigger to create a new era of the semiconductor industry, the Group has established a medium-term management plan "**Challenge Shinkawa 2020**", which ends in fiscal 2020. The Group aims to be the leading bonding technology company and to grow continuously by making a tireless effort for innovation in bonding technology.

2. Basic Strategy

① Growth in existing business

With the arrival of the IoT age, there are various changes in demand for semiconductor packages. The Group promotes the functional enhancement of wire bonders and die bonders to handle the use of SSD data storages and high-speed memories. The Group also promotes the development and sales expansion of flip chip bonders to handle advanced bonding processes such as thermal compression bonding for 3 and 2.5-dimensional bonding applications that are used for memory cubes and the latest CPUs.

Furthermore, along with higher functionality of communication devices such as smartphones, the Group enhances the function of flip chip bonders for high-performance packages such as PoP (Package-on-package) and FO-WLP (Fan-out Wafer Level Package).

② Creating new business value

The Group, under the concept of "Shinkawa Smart Bonding Solution," continues the development of solution technologies that incorporate the IoT function into the semiconductor assembly process. The Group will increase customer satisfaction and its associated value by promoting intelligent machines (with enhanced sensing function), intelligent networks (with enhanced data collection and analysis functions), and intelligent processes (with know-how embedded in software), as well as proposing solutions ahead of challenges triggered by progress of the IoT society.

③ Activating organization and fostering human resources

In order to transform the Group into an organization that demonstrates creativity, it is necessary to secure various talents. In addition to providing a stage where excellent talents from all over the world play an active role, the Group focuses on human resource development including raising employees' awareness.

3. Our Target of Consolidated Performance

(Million yen)

	Fiscal Year 2017 (Forecast)	Fiscal Year 2020
Net Sales	19,500	30,000
Operating Income	280	3,000
Ordinary Income	320	3,000
Profit	200	2,300

※Thereturn on equity (ROE) of the final year is targeted at 10% level.

Medium-term Management Plan

Challenge Shinkawa 2020

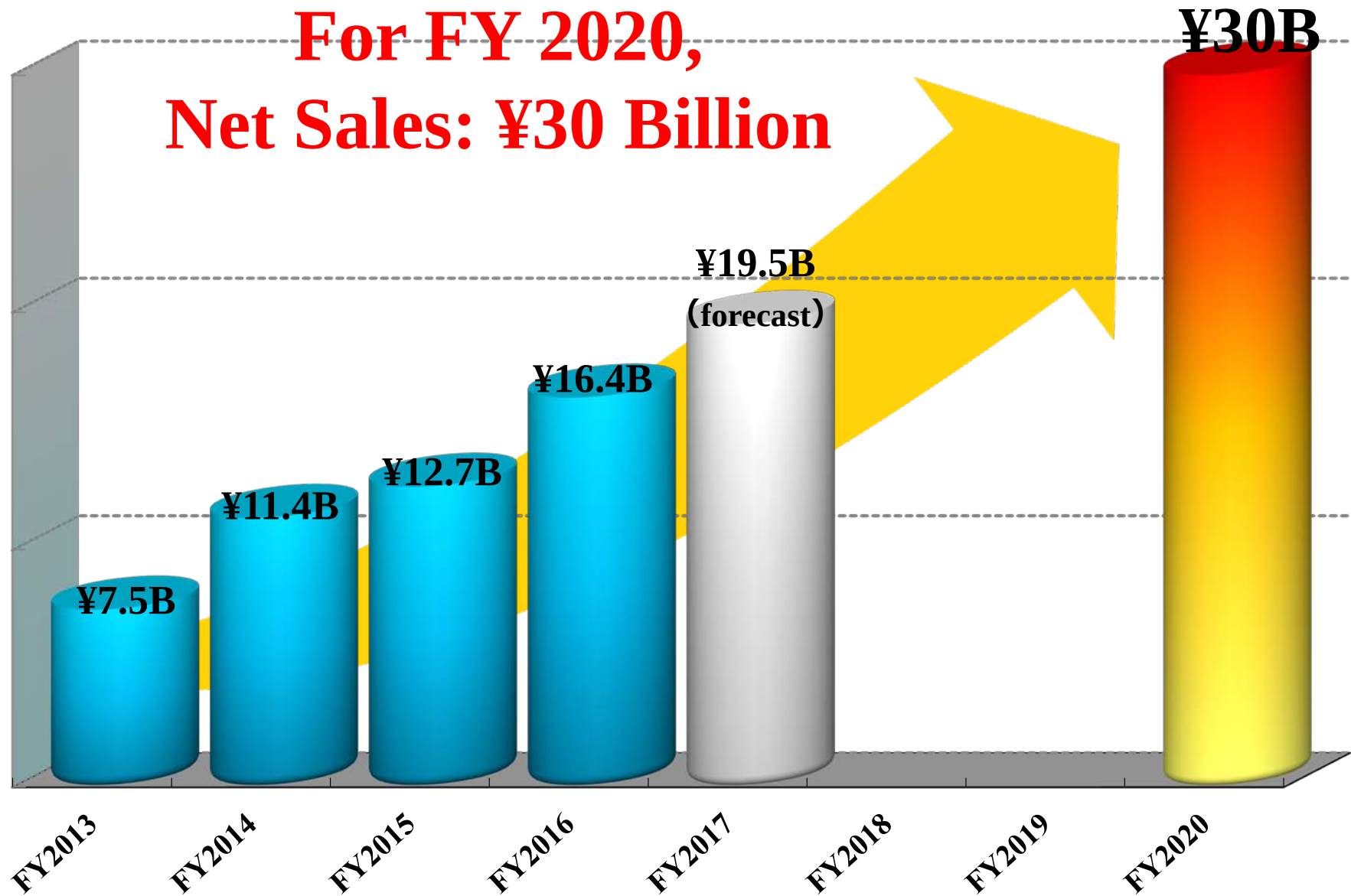


May 15, 2017

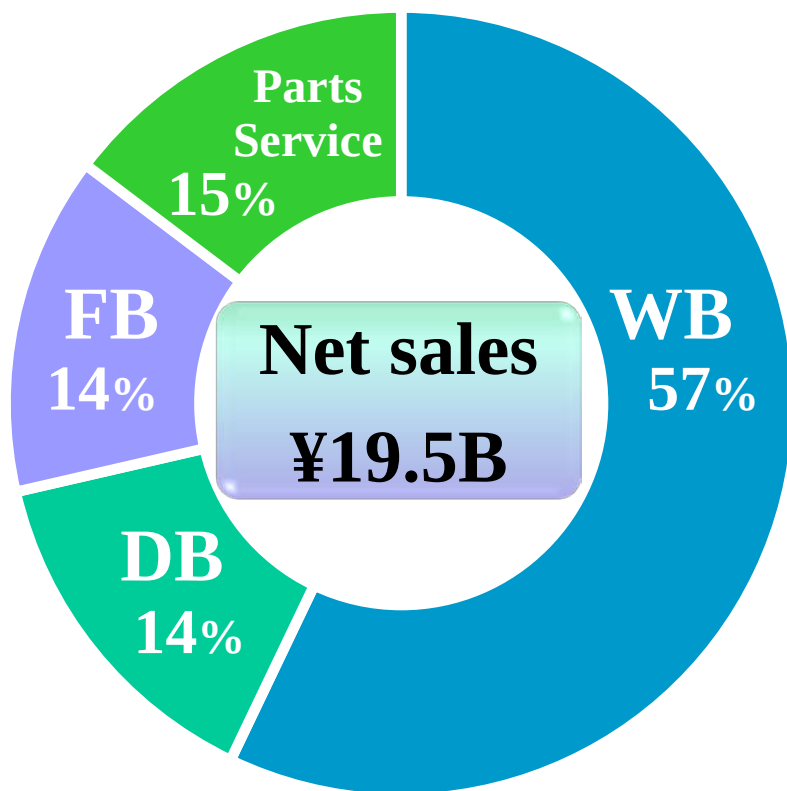
Challenge Shinkawa 2020



Shinkawa aims to be the leading bonding technology company and always strives for innovation in bonding technology.



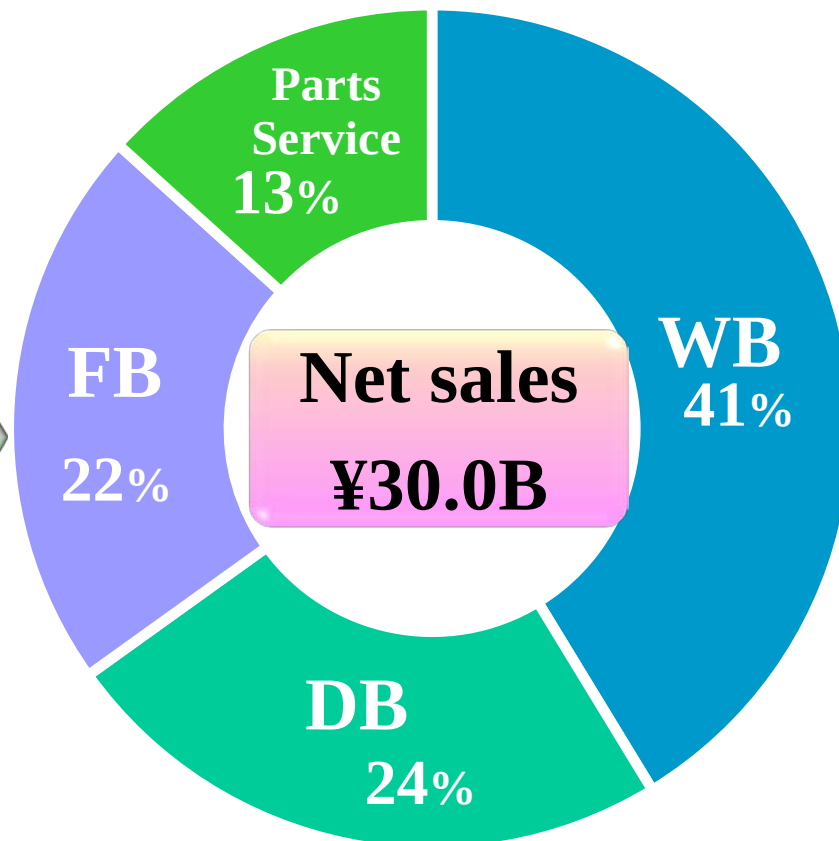
FY2017



Net sales
¥19.5B

**Operating
Income**
¥0.3B

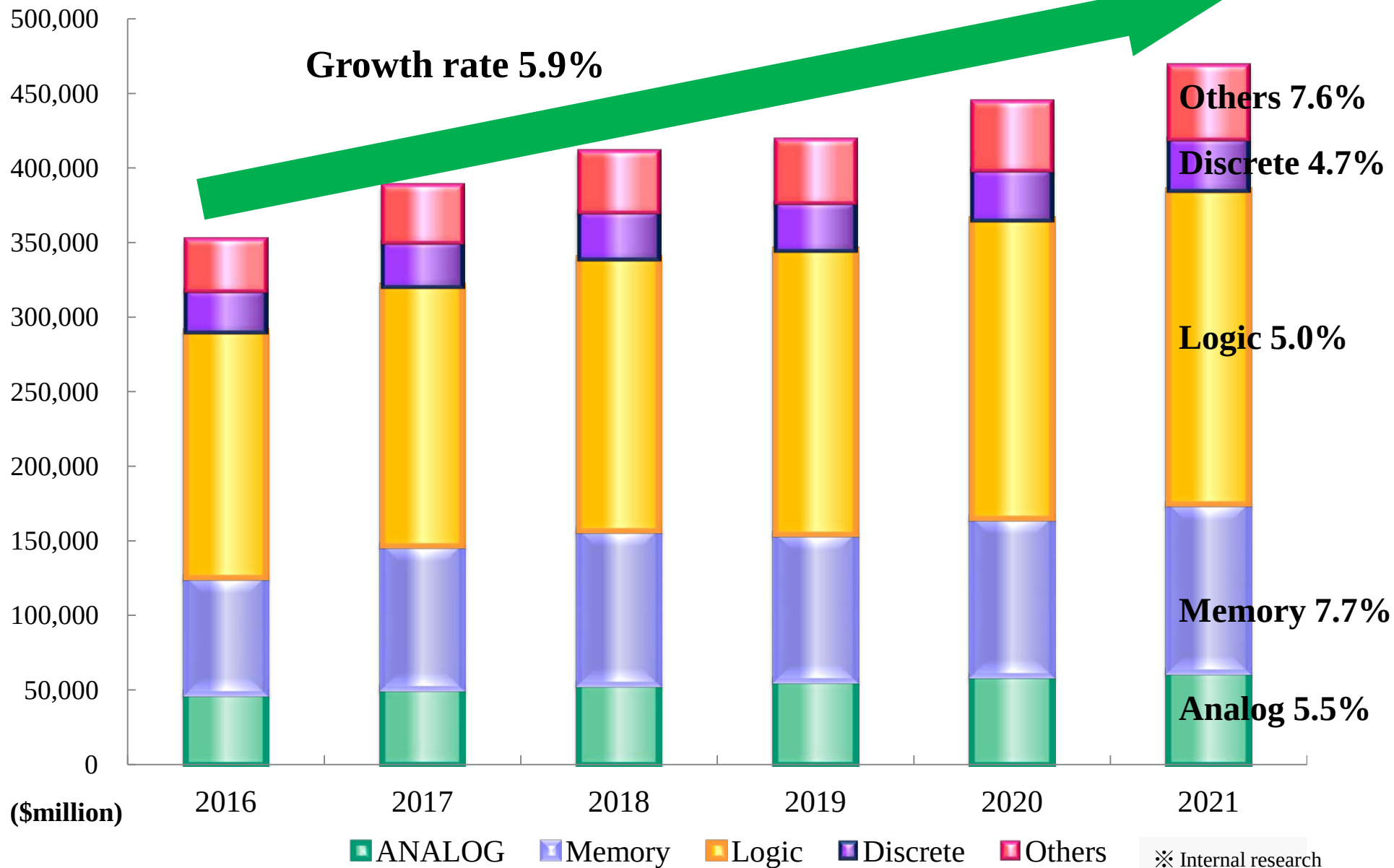
FY2020



Net sales
¥30.0B

**Operating
Income**
¥3B

Shinkawa Semiconductor Sales Forecast by Device Type



1. Growth in existing business

- Developing new machine models ahead of IoT age
- Production improvement activities

2. Creating new business value

- Establishing Smart bonding solution
- Expanding service business by utilizing IoT
- Strengthening alliances

3. Activating organization and fostering human resources

- Enhancing global resources
- Promoting diversity

E Environment

- Creating a life cycle of products
(Expansion of secondhand
and refurbishment business)
- Reduction of Co2 emissions from
product use
(Less power consumption)
- Reduction of Co2 emissions from
production
- Environmentally conscious
products and services

S ociety

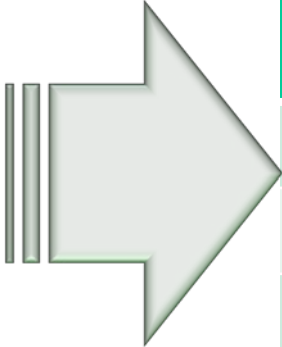
- Customer support
- Occupational safety and health
- Work–life balance
- Improvement of working
environment of overseas suppliers
- Contribution to local societies
- Promoting diversity

G overnance

- Corporate Governance and internal
control
- Global management system
- Directors' remuneration and
incentive
- Composition of board of directors
- Thorough compliance
- Risk management and
visualization of potential risks
- Business continuity planning
(BCP)
- Information security

We will come back to the top of the industry !

Goal of consolidated performance

(¥million)	FY 2016		FY 2020	Sales Ratio (%)	Margin of Improvement
Net sales	16,438		30,000	100.0	-
Operating income	294		3,000	10.0	+8.2p
Ordinary income	432		3,000	10.0	+7.4p
Profit	243		2,300	7.7	+6.2p

※ The return on equity (ROE) of the final year is targeted at 10% level.

Concept of returning profits to stakeholder

Permanent and steady return of profits

Investment for growth (Capital investment, R&D and M&A)