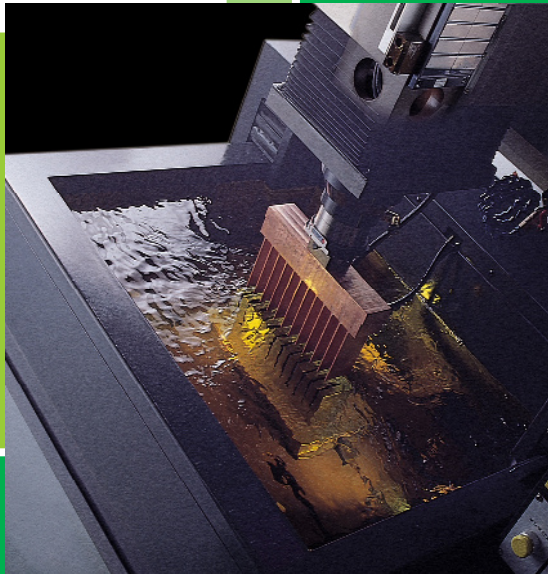




Tokyo Stock Exchange Prime Market 6143



**Action to Implement Management
that is Conscious of Cost of Capital
and Stock Price**

Sodick Co., Ltd.

February 14, 2024

We aim to improve PBR by implementing medium- to long-term growth strategies upon implementing structural reforms in the new medium-term management plan to quickly improve our low profit structure.

Current status analysis and issues

PBR has been below 1.

As of December 31, 2023 **0.48** times

ROE fell to negative, which is below the cost of shareholders' equity.

Result for FY2023/12 **Negative**

Solutions

Improve PBR

=

Improve ROE

×

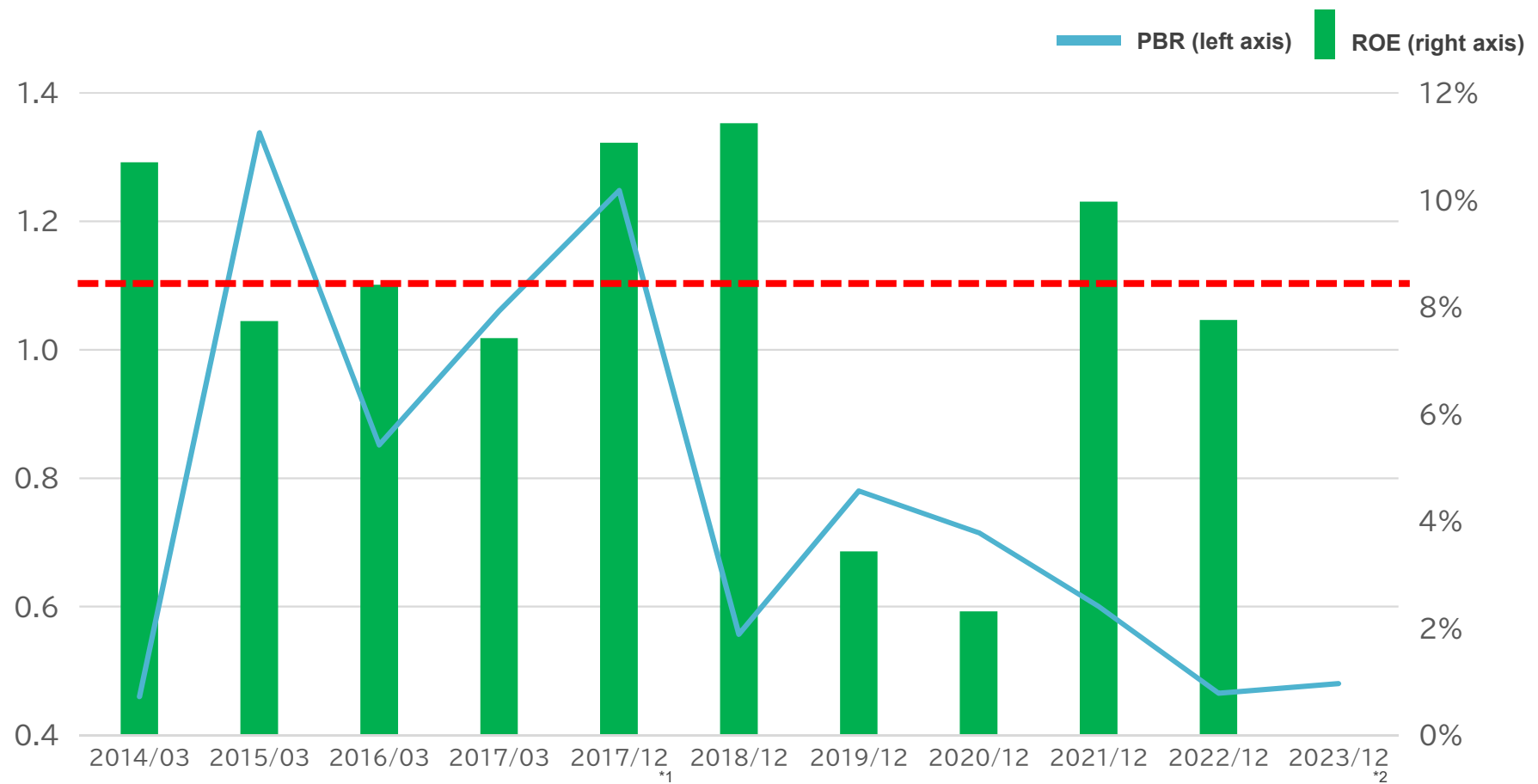
Increase PER

- Quickly reform the low-profit structure under the new medium-term management plan
- Steadily implement the plan under the new management structure with stronger corporate governance

- Increase the profitability of the overall existing businesses
- Increase business performance in metal 3D printers, laser processing machines, and food machinery as growth areas (medium to long term)

Trends in PBR and ROE

The Company's PBR has been below 1 since 2018, as the Chinese market, the largest market, has entered a difficult phase while its ROE has also been sluggish.



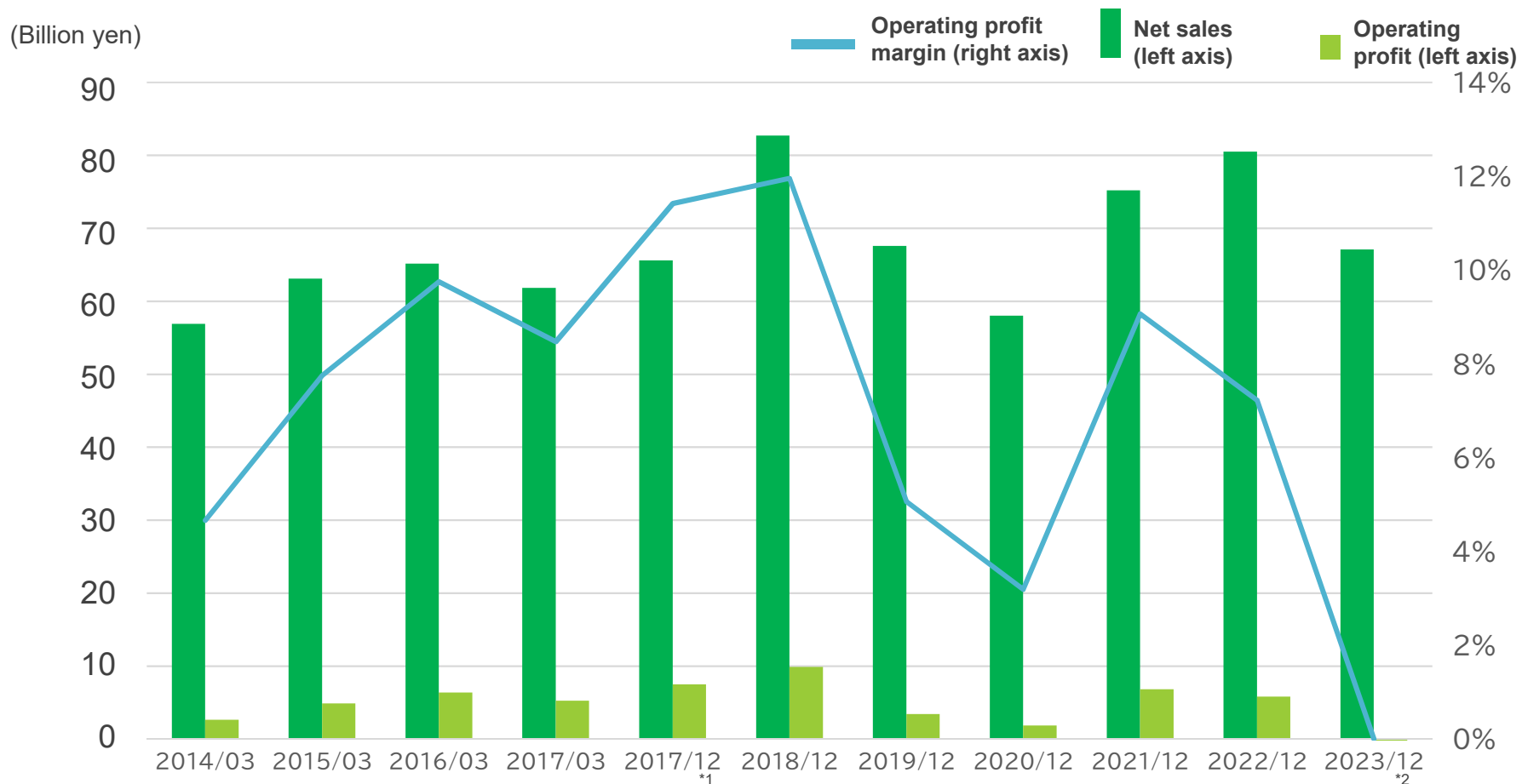
*1 Due to the change in the closing date in 2017, the period of FY2017/12 was nine months.

*2 ROE for FY2023/12 was negative.

Performance Trends and Operating Profit Margin



Based on the past 10 years' business performance trends and operating profit margin, the low operating profit margin is one of the reasons for the low ROE.



*1 Due to the change in the closing date in 2017, the period of FY2017/12 was nine months.

*2 Operating profit for FY2023/12 was negative.

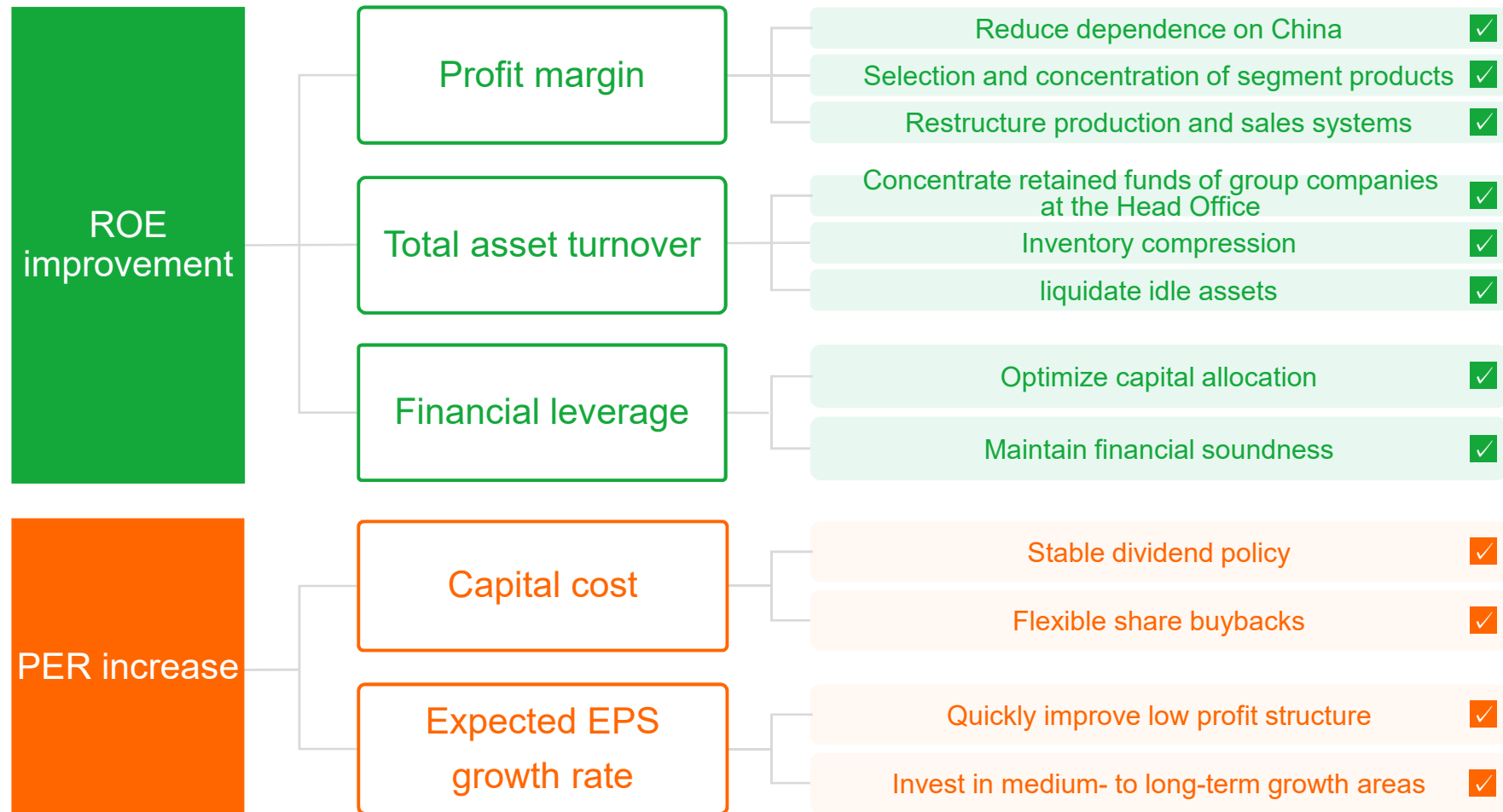
Assessment of the current status

- The Company's average ROE for the past five periods has been stagnant at around 3.5%, and it is necessary to quickly improve the PBR to 1.
- **The low operating profit margin is the main reason for the low ROE.** Amid rapid and drastic external environmental changes including rapid depreciation of the yen since 2022, the company's overall **profitability has declined** due to the modulation of the Chinese market.

Policies for improvement

- **Quickly reform the low-profit structure under the new medium-term management plan**
- **Establish a foundation for future growth** by carrying out structural reforms with the main theme of reducing dependence on China, selection and concentration, and restructuring production and sales systems
- Strengthen IR activities to disseminate our growth strategies through financial results briefings and business briefings to improve market valuation

We aim to improve PBR by increasing ROE and PER through various measures in accordance with the medium-term management plan.

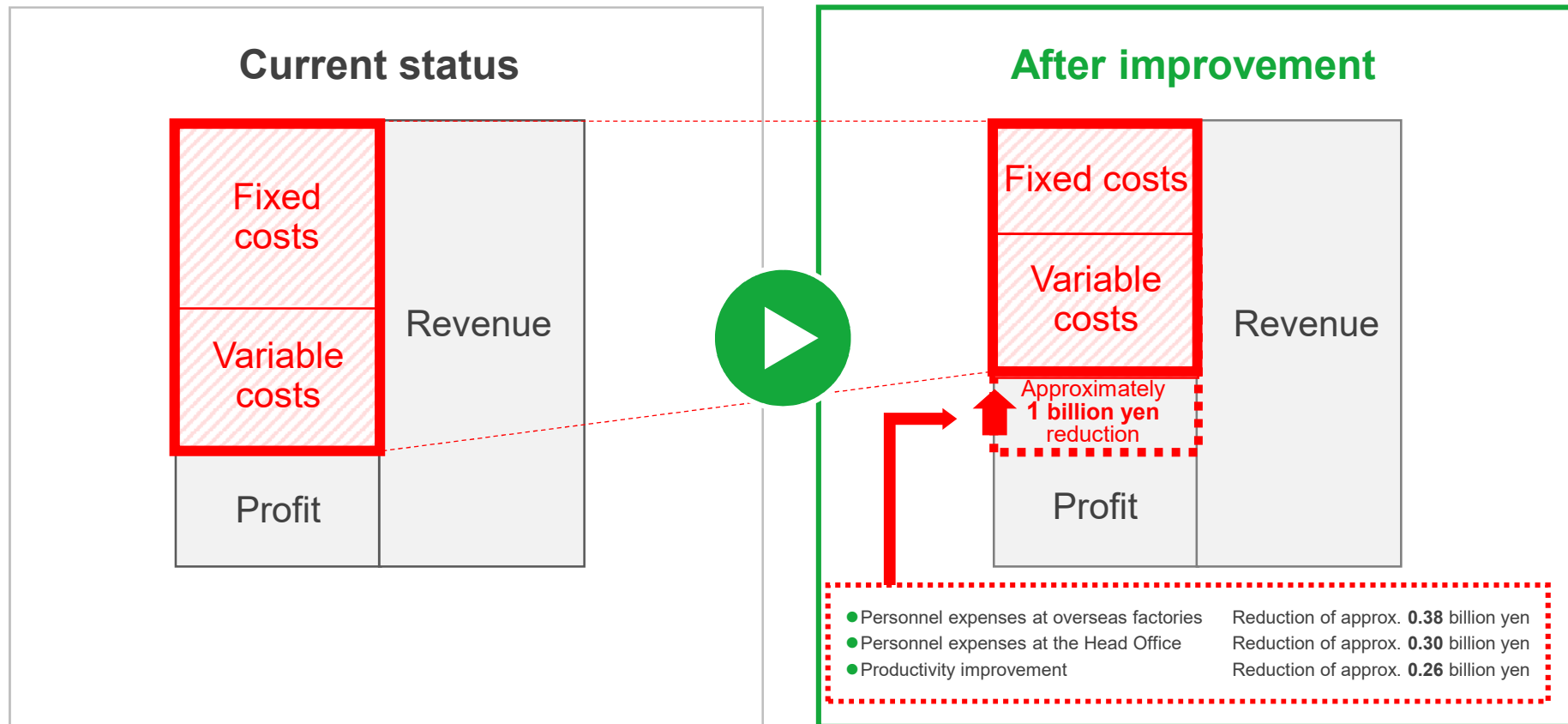


Improvement of the Profit Structure through Structural Reforms **Sodick**

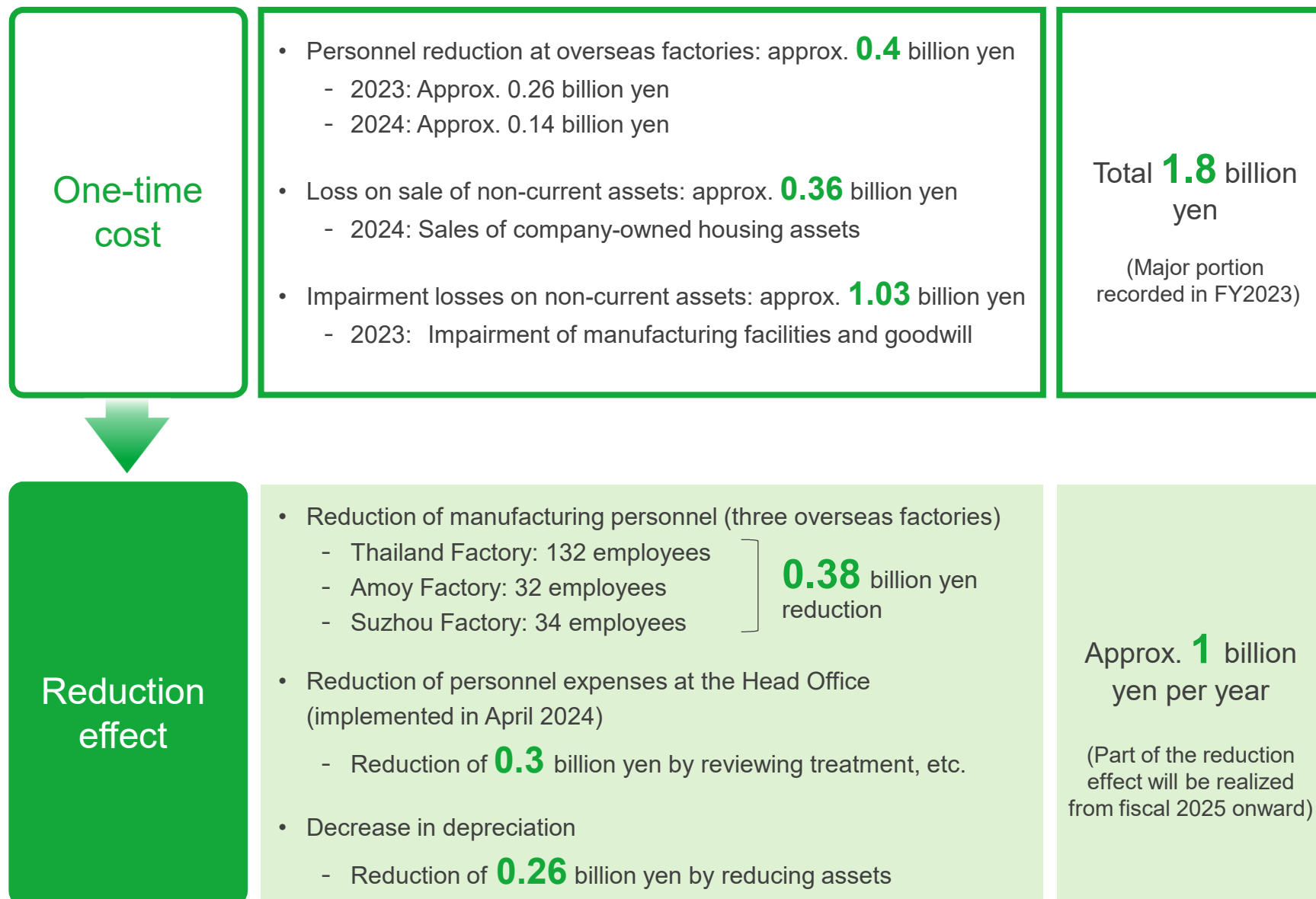
Increase the operating profit margin to historical levels by optimizing personnel requirements at overseas factories (Suzhou, Amoy, Thailand), improving profitability through the introduction of automation facilities, and reducing overhead costs at head office functions.

Profit structure

Improve operating profit margin to 12 to 15% level of first half of 2010s



Summary of the Impact of Structural Reforms



Quantitative Figures in the Medium-term Management Plan



(Unit: billion yen)		FY2023 (Result)	FY2024 (Planned)	FY2025 (Planned)	FY2026 (Planned)
Net sales	Machine tool segment	46.7	49.4	56.5	61.0
	Industrial machinery segment	8.6	9.0	10.1	11.5
	Food machinery segment	6.9	8.1	9.3	11.0
	Other segments	4.9	5.7	6.6	7.2
		67.1	72.2	82.5	90.7
Segment profit (loss)	Machine tool segment	0.7	2.8	5.7	7.5
	Industrial machinery segment	-0.4	0.1	0.5	1.0
	Food machinery segment	0.8	1.0	1.1	1.3
	Other segments	-0.9	0.0	0.2	0.4
		0.2	3.9	7.5	10.2
Company-wide adjustment		-3.0	-2.8	-2.9	-2.9
Total operating profit		-2.8	1.1	4.6	7.3
Ordinary profit		-1.2	1.1	4.6	7.3
Profit		-4.6	0.7	3.5	5.5

▼ Expected exchange rates during the plan period

Currency	USD/JPY	EUR/JPY	CNH/JPY	THB/JPY
Exchange rate	140.0	157.0	20.0	4.1

Financial Targets



	Indicators	Targets	2023 result
Capital efficiency	ROE (5-year average)	8% or more	3.5%
Financial soundness	Equity ratio	50% or more	57.5%
Shareholder returns	DOE*1	2% or more*	2.2%
	Total return ratio*2	40% or more	—*3

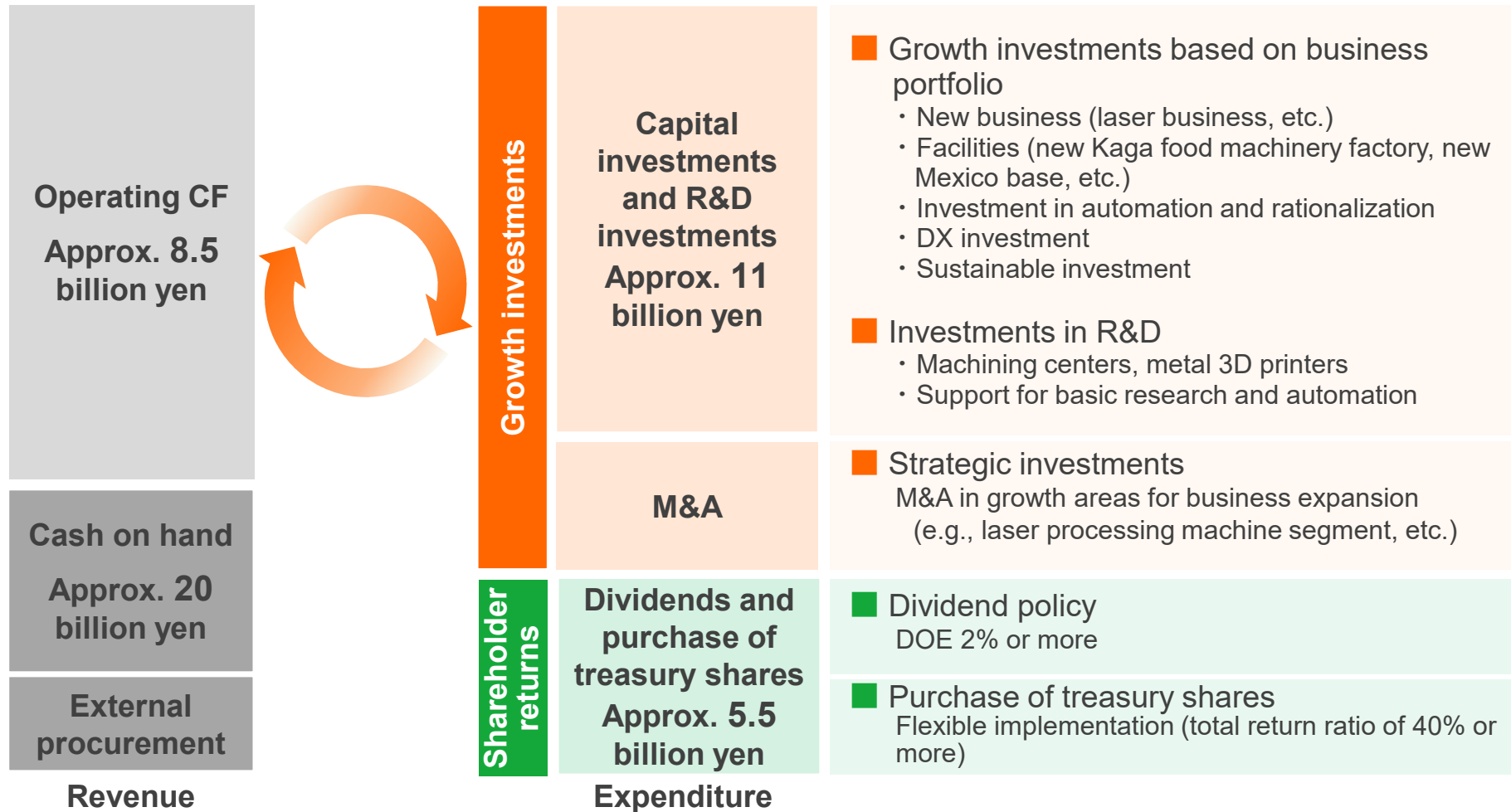
* Dividends per share: **27** yen or more (calculated from the average shareholders' equity at the beginning and the end of FY2023/12 x DOE of 2%)

*1 DOE (Dividend on Equity Ratio) = Total dividends / Shareholders' equity (average at the beginning and the end of the period)

*2 Formula for calculating the total return ratio in the Company: Total return ratio = $\frac{(\text{dividends in } n \text{ FY}) + (\text{purchase amount of treasury shares in } n + 1 \text{ FY})}{\text{Profit for fiscal year } n \text{ FY}}$

*3 Profit in FY2023 was negative, and the total return ratio was calculated to be negative, which is indicated by a hyphen.

Proactively allocate capital to investment for growth



We will promote three non-financial measures to reduce the cost of shareholders' equity

- We will shift to a new management structure with stronger governance to steadily implement structural reforms in the new medium-term management plan.
- We will incorporate management from an investors' perspective while enhancing management transparency through periodical engagement with shareholders.
- We will use renewable energy and reduce CO2 emissions to achieve carbon neutrality. In addition, we will further promote a corporate culture in which diverse employees can work comfortably with a sense of satisfaction.

