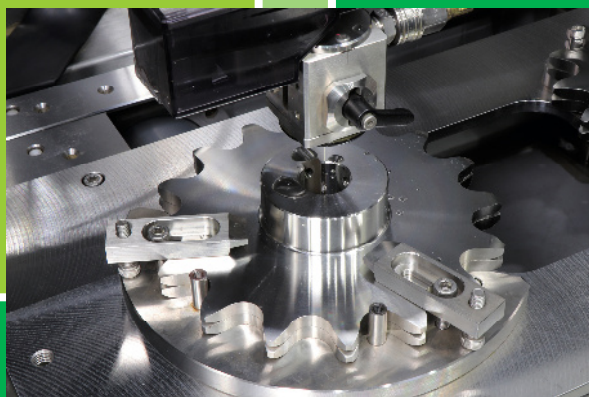


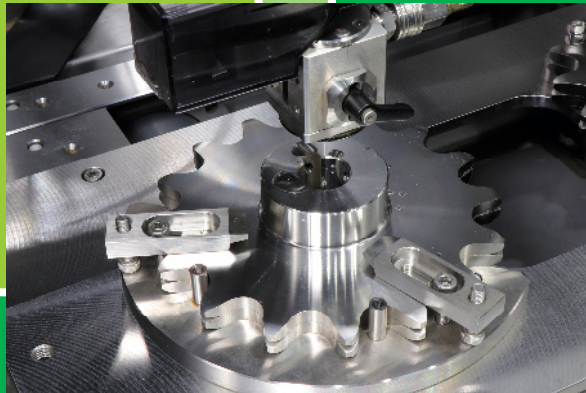


Tokyo Stock Exchange Prime Market 6143



Medium-term Management Plan
(FY2024/12 to FY2026/12)
Sodick Co., Ltd.

February 14, 2024



**1. Withdrawal of the Previous
Medium- to Long-term
Management Plan and
Strengthening Corporate
Governance**

Background of the Withdrawal of the Previous Medium- to Long-term Management Plan and Implementation of Structural Reforms



Current status of the Company

- Amid rapid and drastic external environmental changes including the rapid depreciation of the yen since 2022, the company's overall **profitability has declined** due to the modulation of the Chinese market.
 - The Company fell to a loss in FY2023 due to significant declines in sales and profit in the machine tool segment and industrial machinery segment.

Changes in our attitudes and recognition

- If the measures of the previous medium- to long-term management plan are continued, it will not lead to fundamental resolution of current situation, **and low profitability will continue.**
- For future growth, it is essential to change the business models and **make fundamental reforms** that include the management structure.

Future policy

- **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
- Steadily implement plans under **a new management structure with stronger corporate governance**

Strengthening of Governance * Including the content of resolutions at the ordinary general shareholders' meeting in March 2024

● Shorten the term of office of Directors

Shorten the term of office of Directors **from the current two years to one year** in order to clarify the management responsibilities of directors and to establish a management structure that can respond quickly to changes in the business environment.

● Abolish the system of appointing Directors with special titles

Abolish the system of appointing Directors with special titles and **separate the decision-making and supervisory function, and executive function of management so as to clarify their roles.**

● Change the structure of the Board of Directors

Change the structure of the Board of Directors to one that is suitable for supervising the promotion of the new medium-term management plan, **creating a substantial monitoring Board of Directors, so that we can steadily implement structural reforms and the new plan.**

- ▶ Increase the number of External Directors at the Board of Directors **to a majority (ratio of Independent External Directors: 55%)**
- ▶ The Chairperson of the Advisory Committee on Personnel and the Committee on Compensation has been changed from the President and Representative Director to **an External Director.**

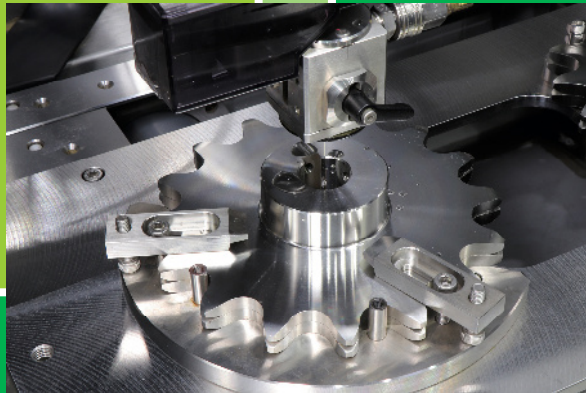
● Review officer compensation

Consider reviewing **officer compensation** under the new structure **to be more closely tied to the new medium-term management plan**

- ▶ Ratio of fixed and variable compensation
- ▶ Review of performance-linked compensation
- ▶ Medium- to long-term incentives

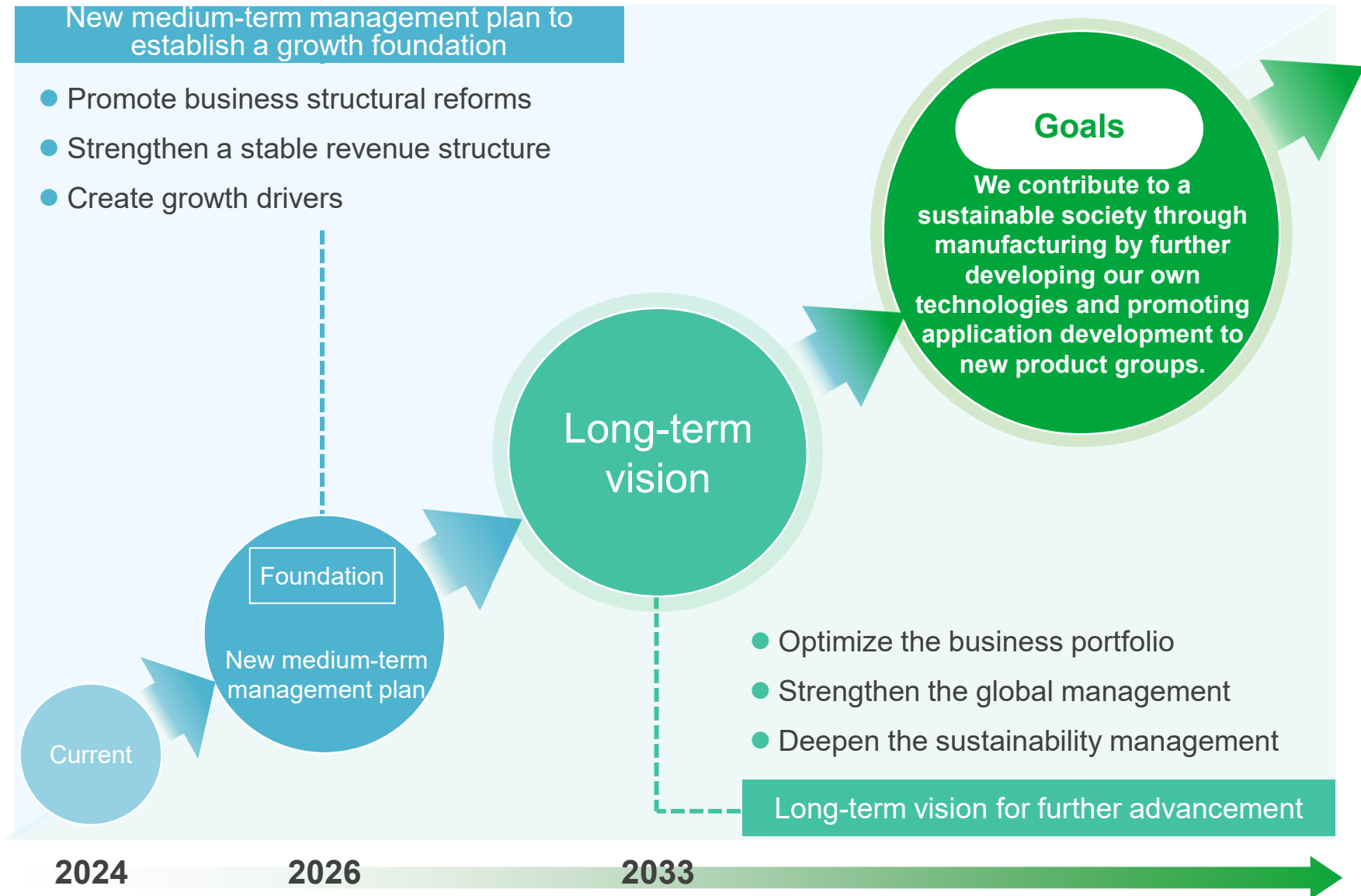
● Consider shifting to a company with an Audit and Supervisory Committee

Consider shifting to a company with an Audit and Supervisory Committee from FY 2025 to achieve a stronger corporate governance structure.



2. Long-term Vision and Growth Story

Long-term Vision and Goals



01

Reform the profitability of the overall existing businesses

First, in the structural reform period, while strengthening the competitiveness of electrical discharge machines (EDMs), the main pillar, we will reform the profitability of the overall existing businesses through (1) reducing dependence on China, (2) selection and concentration, and (3) restructuring production and sales systems.

02

Pursue the following measures as a medium- to long-term growth strategy to expand our business performance

Metal 3D printers

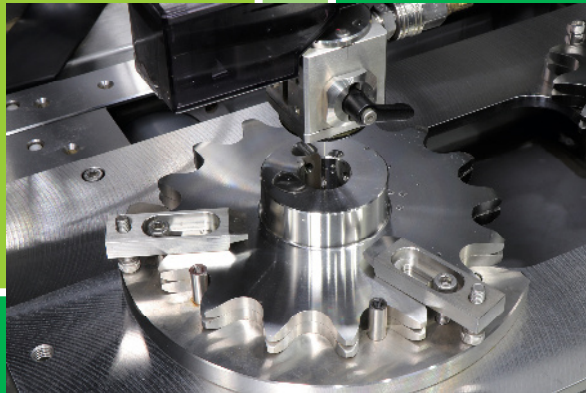
- Accelerate product development (with a view toward alliances with other companies by leveraging the Company's strengths)
- Full-scale deployment in Europe and the United States, the main battlefields
- Differentiate our support capability for giga die-casting molds used for new energy vehicles (NEV)

Laser processing machines

- Expand the new business of laser processing machines (with a view toward alliances with other companies)
- Provide unprecedented machining performance
- Develop competitive products and business segments in the niche process of semiconductor manufacturing in the future

Food machinery

- Expand overseas sales
- Add a high value to the existing products and development of new products



**3. Medium-term Management Plan
(FY2024/12 to FY2026/12)**

Long-term vision for 2033

- ✓ Optimize the business portfolio
- ✓ Strengthen the global management
- ✓ Deepen the sustainability management

Medium-term Management Plan 2026

Basic policies

Achievement of structural reforms

Management infrastructure reform



- Develop Human resources
- Reform organizational culture
- Strengthen the global management
- Deepen the sustainability management
- Improve Cash flow

Earnings structure reform



- Optimize the global production and sales structure
- Strengthen a stable revenue structure
- Optimize the business portfolio

Establishment of competitive advantage



- Use DV to transform Business model
- Allocate resources to growth areas
- Create growth drivers

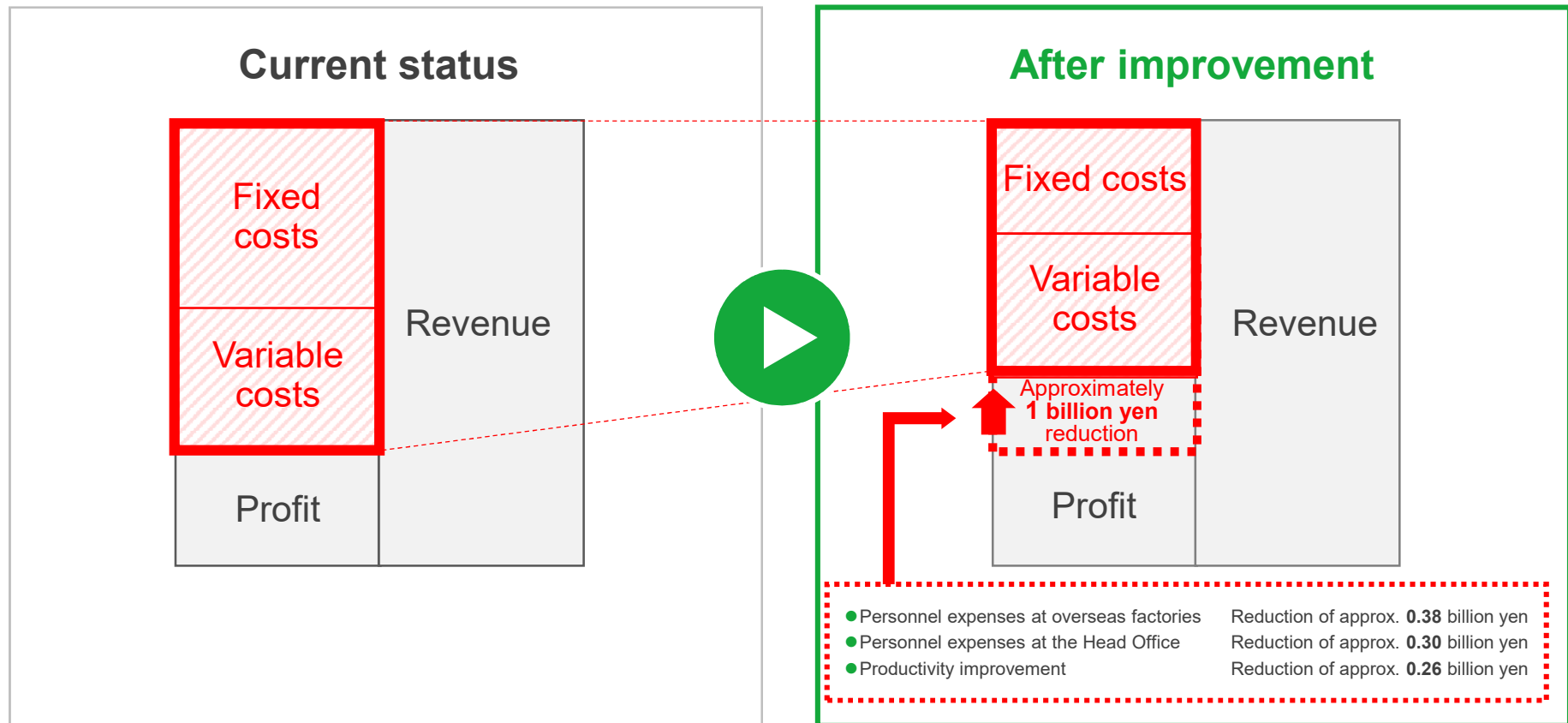


Improvement of the Profit Structure through Structural Reforms **Sodick**

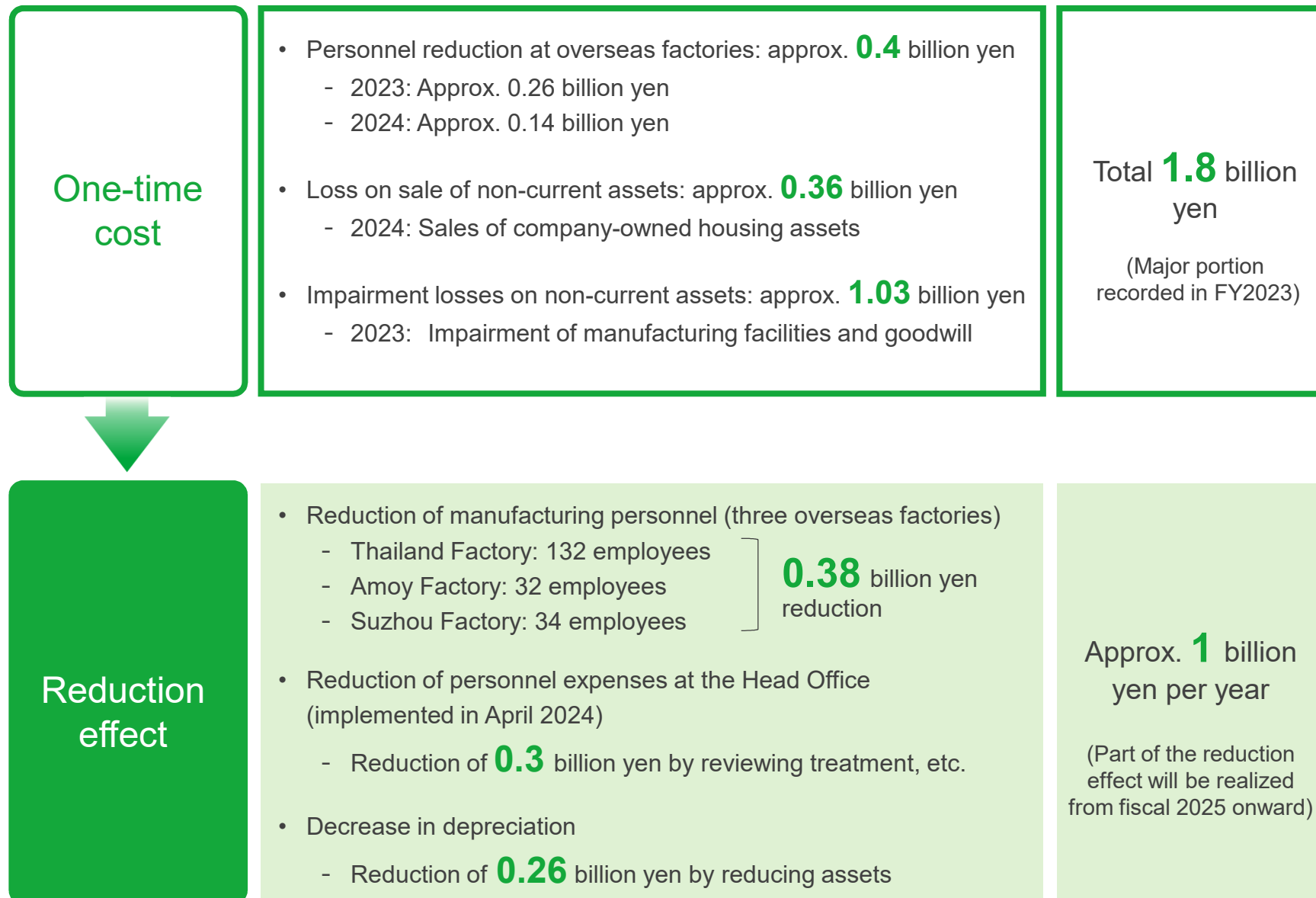
Increase the operating profit margin to historical levels by optimizing personnel requirements at overseas factories (Suzhou, Amoy, Thailand), improving profitability through the introduction of automation facilities, and reducing overhead costs at head office functions.

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 |

Machine Tool Segment | Current Situation and Key Points of the Structural Reform

Current situation

- **Net sales in China decreased** due to the downturn in the Chinese market and the impact of domestic competitors' expansion of sales in China taking advantage of the weaker yen.
- **Profitability worsened due to excessive production capacity** at the factories in China.
- **The profit structure is significantly influenced by trends in the Chinese market** because both our production and sales are highly dependent on China.

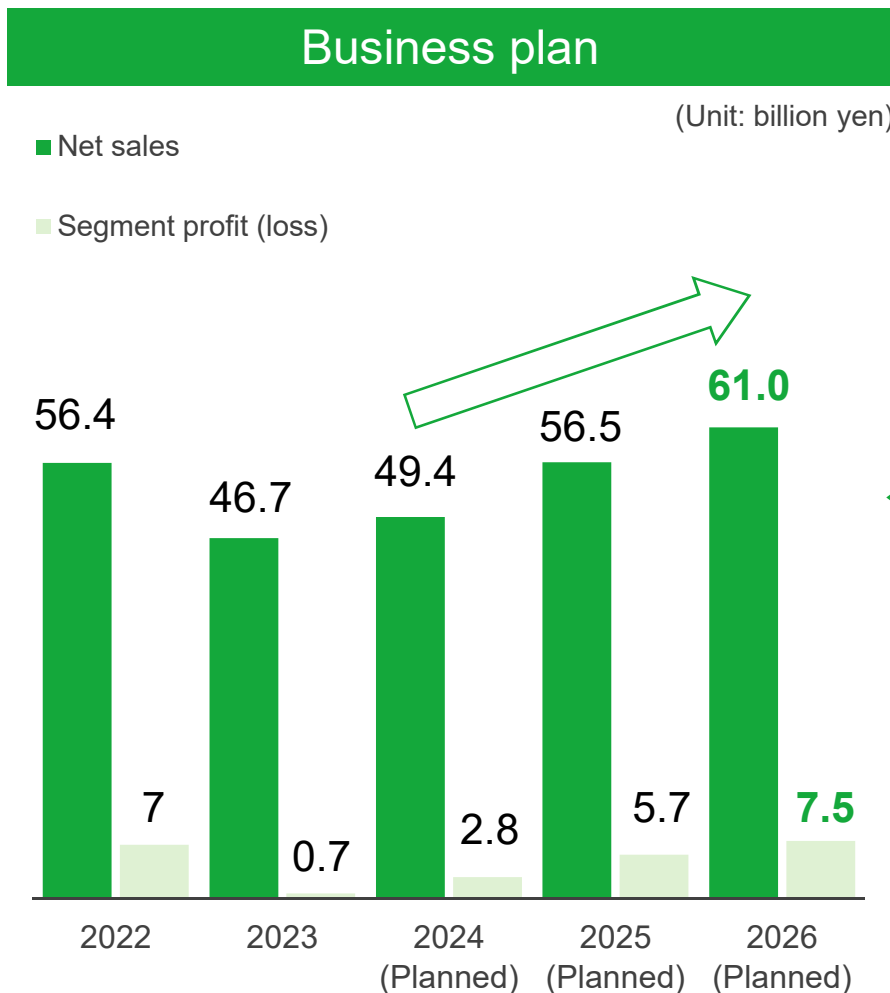


Key points of the structural reform

- Consolidate production at Suzhou Factory to Amoy Factory to **optimize the production scale in China**
- Fundamentally increase domestic production to create **a global three-region production system compatible with the exchange rate environment** (Kaga, Thailand, China)
- **Reduce fixed costs, focusing on personnel expenses, and raise profitability** by increasing productivity through the introduction of automation facilities

Machine Tool Segment | Business Plan and Key Initiatives of the Structural Reform

Improve profitability while strengthening the competitiveness of EDMs

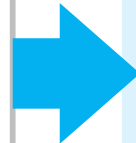


- **Optimize production structure**
 - Consolidate production at Suzhou Factory to Amoy Factory to **optimize the production scale in China**
 - Fundamentally increase domestic production to create **a global three-region production system compatible with the exchange rate environment**
 - **Reduce fixed costs, focusing on personnel expenses**, and restore profitability by increasing productivity through the introduction of automation facilities
- **Strengthen stock businesses**
 - Strengthen **the stable and profitable after-sales business** (consumables sales and maintenance) and meet customer needs with full lineup of services from machine sales to after-sales services
- **Reduce dependence on China**
 - Strengthen sales in emerging markets (India, Mexico, etc.)
 - Respond flexibly to the return of production related to advanced technologies to Japan and the West

Industrial Machinery Segment | Current Situation and Key Points of the Structural Reform

Current situation

- Amoy Factory, which began operations in early 2023, **has an excessive production capacity and its profitability worsened** as orders in the Chinese market did not increase as expected.
- Due to the release of stock machines from competitors and new old stock machines owned by overseas dealers, **our competitiveness regarding delivery time and prices declined.**

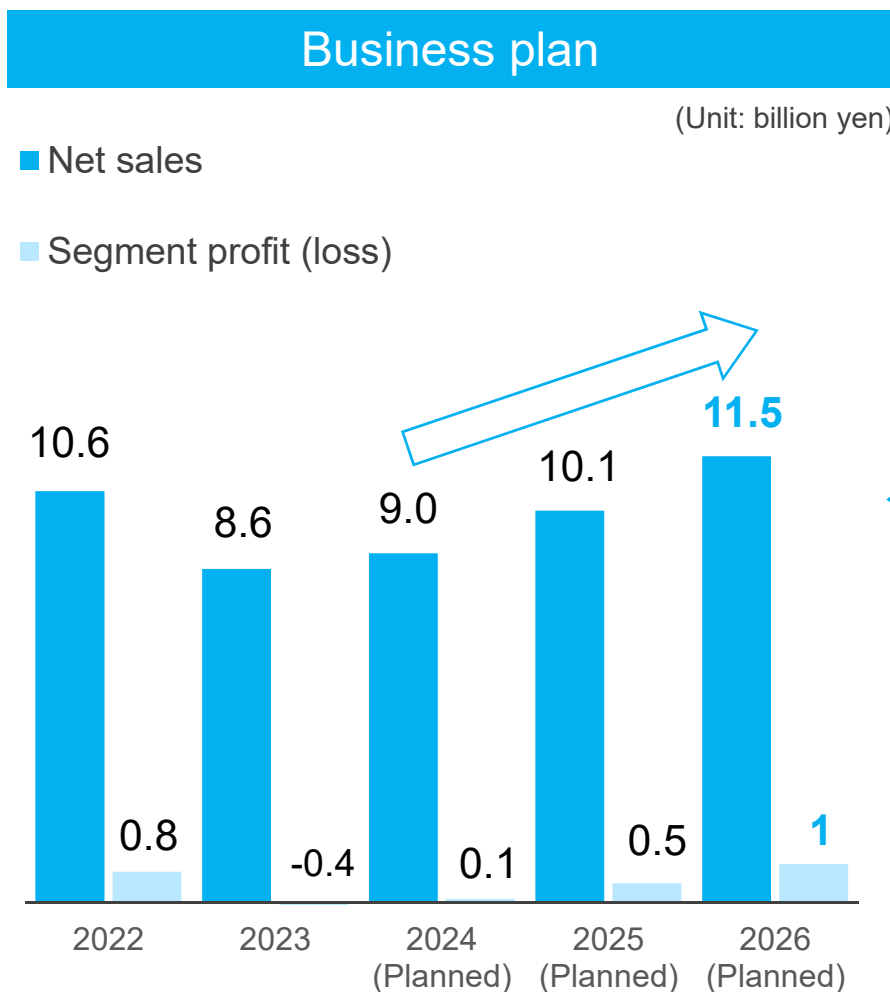


Key points of the structural reform

- **Reduce dependence on China** by discontinuing production at Amoy Factory and returning to domestic production
- Classify product types based on profitability and **shift to sales of profitable models**
- Provide automation solutions based on the needs to address the labor shortage
- Full-scale sales activities in the European market

Industrial Machinery Segment | Business Plan and Key Initiatives of the Structural Reform

Review production structure and product lineup to improve profit structure
Increase sales volume and market share



- **Reduce dependence on China and consolidate production structure**
 - Discontinue production at Amoy Factory and **reduce costs by increasing domestic production**
- **Shift to sales of profitable models**
 - Shift to **the lineup of models** with added value by analyzing market needs
- **Provide automation solutions**
 - Work with our subsidiary Sodick F.T. to sell complete line of manufacturing automation, from molds to molded products.
- **Enter into the European market**
 - Expand competitive electronic components and medical products from the U.S. to the European market

Food Machinery Segment | Current Situation and Key Points of the Structural Reform

Current situation

- Sales decreased due to prolonged business negotiations overseas

- The cost of sales ratio worsened due to increased cost of materials, dependence on outsourcing, and increase in personnel.

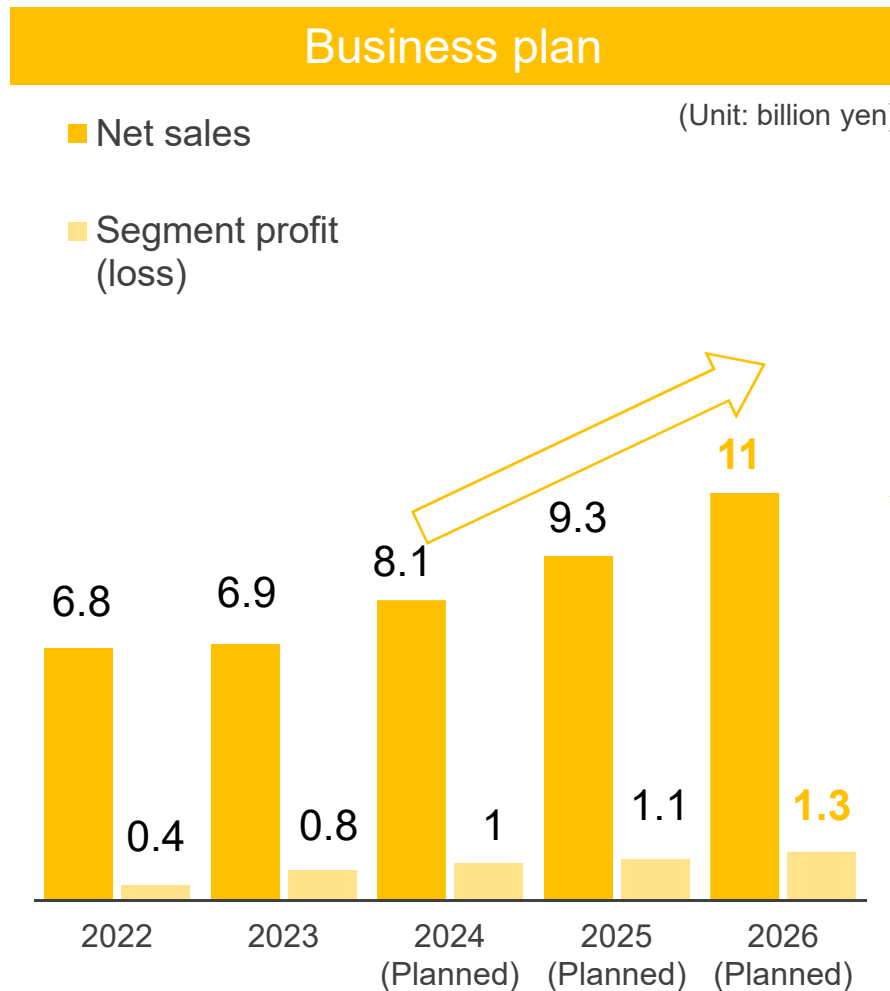


Key points of the structural reform

- Expand sales by strengthening the overseas sales structure
- Improve existing products, aiming to save energy, enhance their productivity, make them smaller, and make them more functional
- Expand the business scale through **the development of new food machinery** and contract production

Food Machinery Segment | Business Plan and Key Initiatives of the Structural Reform

Expand sales and business areas in the ASEAN market
To be a global general food machinery manufacturer



● Expand overseas sales

- Increase overseas sales by strengthening the sales structure of noodle-making machines and cooked rice production systems in ASEAN

● Improve existing products

- Improve existing products from the perspective of saving energy, enhancement of their productivity, making them smaller, and making them more functional

● Develop new products and take on consigned production

- Expand business scale through developing food machinery and taking on consigned production

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 |

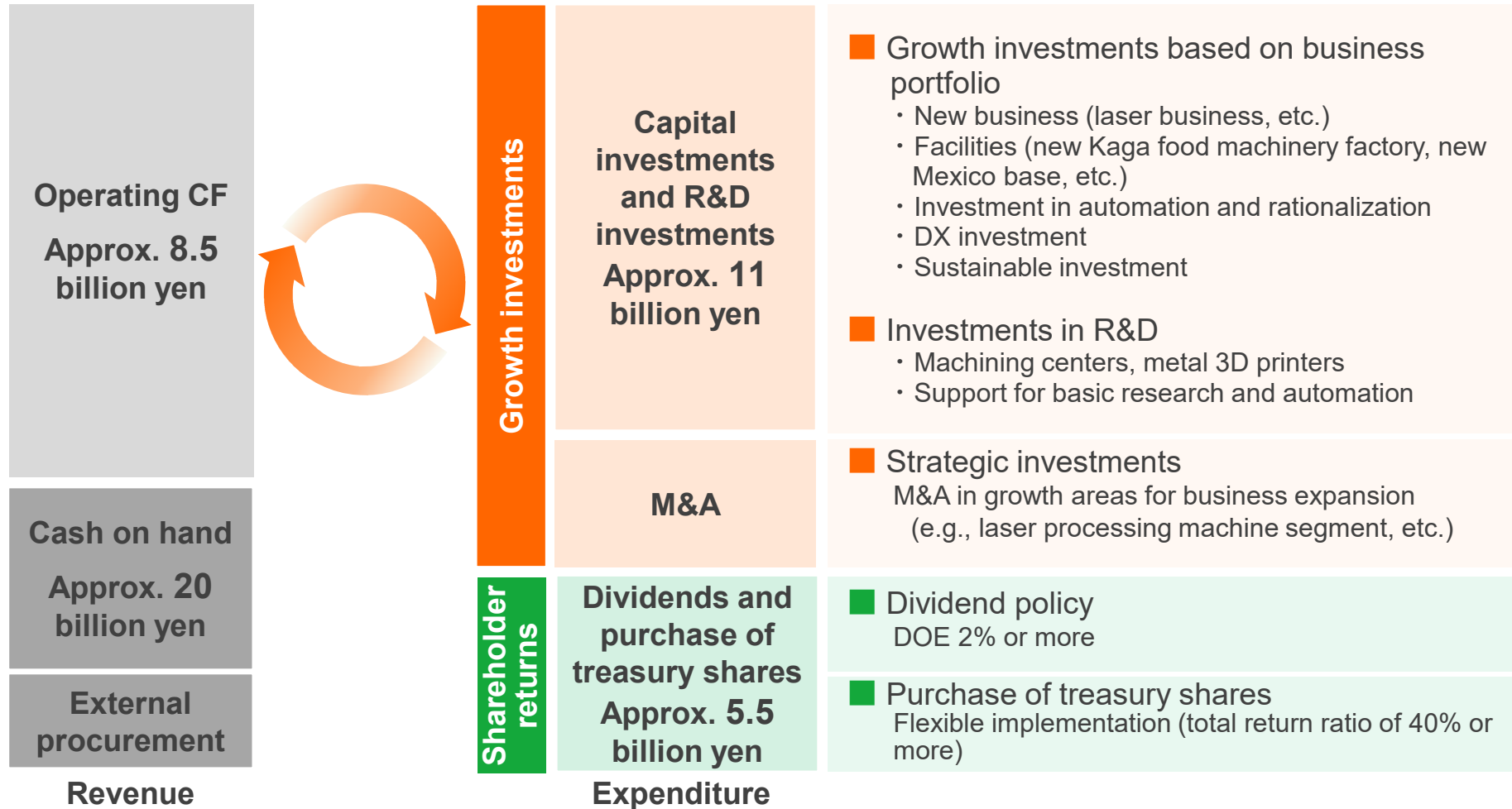
* Dividends per share: 27 yen or more (calculated from the average shareholders' equity at the beginning and the end of FY2023/12 x DOE of 2%)

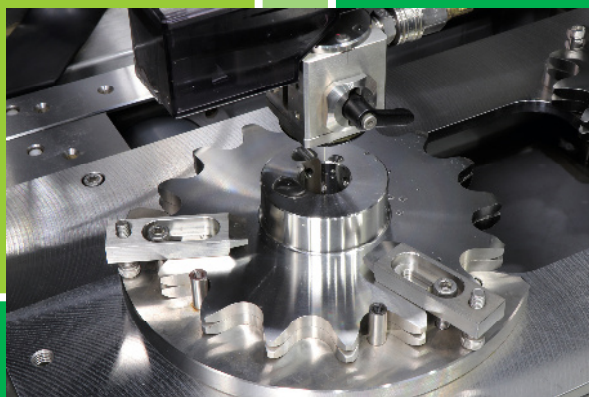
*1 DOE (Dividend on Equity Ratio) = Total dividends / Shareholders' equity (average at the beginning and the end of the period)

*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





4. ESG

Materiality (Important Issues)

Philosophy With a spirit of “Create,” “Implement,” and “Overcome Difficulties,” the Sodick Group’s philosophy is to contribute to society’s sustainable development by **providing the highest value and supporting customers’ manufacturing operations.**



Contributing to evolving manufacturing

Contribute to building of a foundation for economic development through more sophisticated manufacturing

- Higher-precision, higher-functional EDMs
- Higher-precision injection molding machines and greater diversity of molding materials

E
Environment

Use renewable energy and reduce CO2 emissions to achieve carbon neutrality

- CO2 emission reduction targets
- Promotion of wire recycling system
- Use of solar power generation
- Environmentally-friendly products
- Conversion to environmentally friendly company vehicles
- Implementation of QVP+ activities

Addressing environmental management

S
Society

Further promote a corporate culture in which diverse employees can work comfortably with a sense of satisfaction

- New personnel system
- Strengthening of hiring of non-Japanese employees
- Addressing the Act on the Promotion of Women’s Active Engagement in Professional Life
- Promotion of work-style reforms

Promoting diversification of human resources

G
Governance

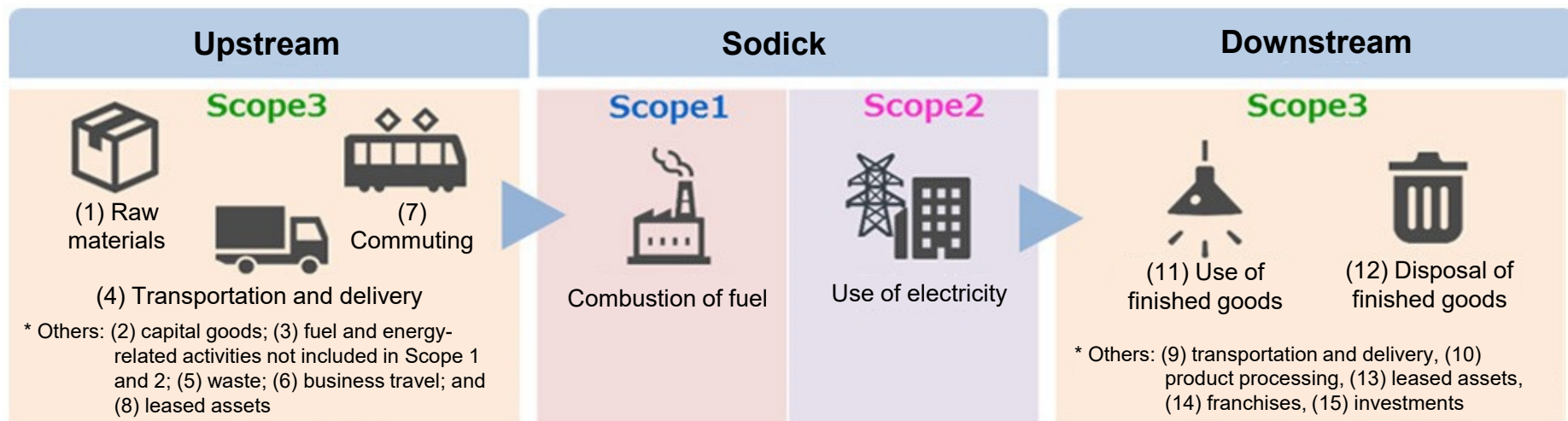
Strengthen both offensive and defensive governance to support management as the Company grows

- Enhancement of governance
- Strengthening of risk management and compliance
- Thorough export controls

Strengthening governance

E (Environment) | TCFD Four Major Requirements and Disclosure

| Required items | Content of disclosure |
|------------------------|---|
| Governance | Reporting and deliberation by the Sustainability Committee and the Board of Directors (at least once a year) |
| Strategy | Identification of risks and opportunities through scenario analysis → List of assessment of significance at 4 °C/1.5 °C |
| Risk management | Reporting and deliberation at the Risk Management Committee on the same level with other risks (on a company-wide management basis) |
| Indicators and targets | Set targets for reducing greenhouse gas emissions (as compared to the base year of 2013) <ul style="list-style-type: none"> ● Reduce Scope 1 and 2 by 46% in 2030 ● Promote overall emission reductions, including Scope 3, and aim for carbon neutrality by 2050 |



Source: the Ministry of the Environment website (https://www.env.go.jp/earth/ondanka/supply_chain/gvc/estimate.html)

Materiality and KPIs related to human resources

| Materiality | KPIs | | Actions |
|--|---|---------------------|--|
| Promoting diversification of human resources | Increasing percentage of women in management positions | Target 5% (by 2026) | Consideration of women’s leadership training, etc. for position-specific and objective-specific training |
| | Increasing percentage of male employees taking paternal leave | Target 80% (2025) | Dissemination using in-house newsletters and training for managers Conducting personal interviews with employees eligible for childcare leave |

Measures to achieve the targets

(1) Women in management positions

Continue to actively recruit female employees and support their career development in consideration of diversifying life events such as parental leave and shorter working hours after returning to work

(2) Foreign nationals in management positions

Secure human resources with global mindsets by recruiting new hires of not only Japanese exchange students, but also overseas local students by participating in career forums in Boston and Shanghai

(3) Mid-career hires in management positions

Actively hire mid-career employees with diverse backgrounds and experience

Directors (Ratio of Independent External Directors: 55%, female ratio: 11%)

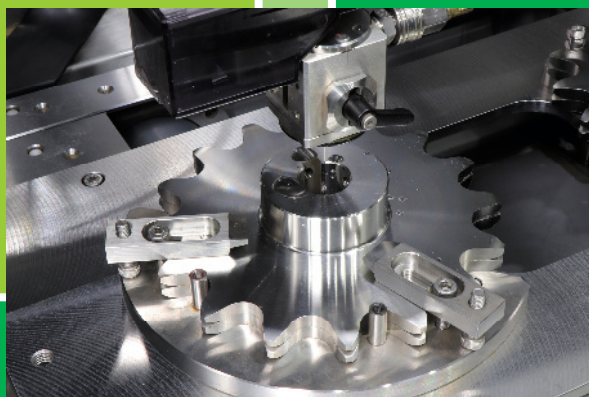
| | Name | Title | Internal/external | Corporate management | Finance and accounting | Legal matters and risk management | Manufacturing, technology, and R&D | Global | Marketing | Advisory Committee on Personnel | Committee on Compensation |
|---|--------------------------------|---------------------------------------|-------------------|----------------------|------------------------|-----------------------------------|------------------------------------|--------|-----------|---------------------------------|---------------------------|
| 1 | Kenichi Furukawa ^{*1} | President and Executive Director | Internal | ● | ● | ● | | ● | ● | ● | ● |
| 2 | Yuji Akutsu ^{*2} | Vice President and Executive Director | Internal | ● | ● | | | ● | ● | ● | ● |
| 3 | Hideki Tsukamoto | Senior Executive Managing Director | Internal | ● | | | ● | ● | | | |
| 4 | Hirofumi Maejima | Executive Managing Director | Internal | | ● | ● | | ● | | | |
| 5 | Kazunao Kudo | — | External | ● | | | ● | ● | | ● | ● |
| 6 | Kenzo Nonami | — | External | ● | | | ● | ● | | ● | ● |
| 7 | Yoshikazu Goto | — | External | ● | | | ● | | | ● | ● |
| 8 | Haruchika Gohara ^{*2} | — | External | | ● | ● | | | | | |
| 9 | Ayako Sano ^{*2} | — | External | ● | ● | ● | | | | | |

Audit & Supervisory Board Members (female ratio: 25%)

| | Name | Title | Internal/external | Corporate management | Finance and accounting | Legal matters and risk management | Manufacturing, technology, and R&D | Global | Marketing | Advisory Committee on Personnel | Committee on Compensation |
|------------|----------------------------|-------|-------------------|----------------------|------------------------|-----------------------------------|------------------------------------|--------|-----------|---------------------------------|---------------------------|
| 1 | Tomohide Kawamoto | — | Internal | | ● | ● | | ● | | | |
| 2 | Tetsuro Kawahara | — | Internal | ● | ● | | | | | | |
| 3 | Masahiro Shimojo | — | External | | ● | ● | | ● | | | |
| 4 | Mari Otaki | — | External | | ● | ● | | | | | |
| Substitute | Yukiko Omura ^{*2} | — | External | ● | | ● | | ● | | | |

*1 Representative Director

*2 Scheduled to be elected by resolution of the Ordinary General Shareholders' Meeting in March 2024

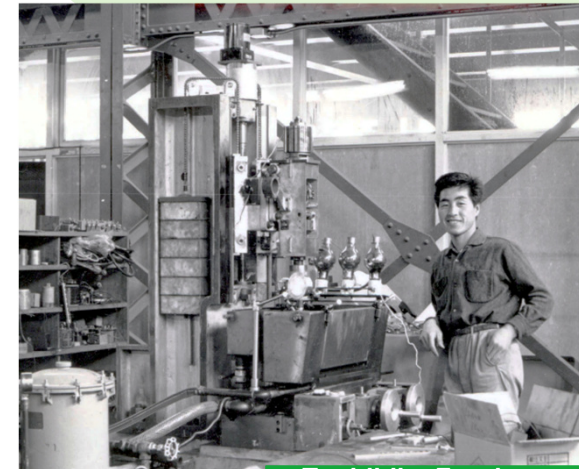


Appendix

Founding spirit

Founder Toshihiko Furukawa expanded his business under the founding spirit of “Create,” “Implement,” and “Overcome Difficulties.”

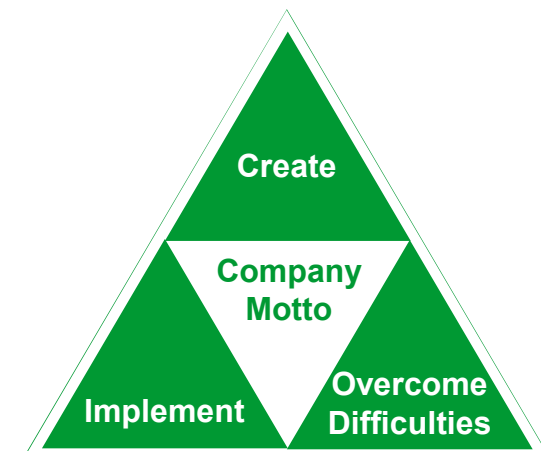
With the sole purpose of “helping our customers make their own products,” we have listened to every little request of our customers, faced and overcome any difficult technical challenges, and solved problems by working together with our customers.



Toshihiko Furukawa, founder

Philosophy

Under the founding spirit of “Create,” “Implement,” and “Overcome Difficulties,” we provide the highest value to our customers and contribute to a sustainable society as a company that “Create Your Future.”



Sodick's History



Since our founding, under the founding spirit of “Create,” “implement,” and “Overcome Difficulties,” we have contributed to a society through manufacturing by further developing our own technologies and promoting application development to new product groups.



Machine tool segment

1976 NC Type Die-sinker EDM



1981 NC Type Wire-cut EDM

1997 Machining Center



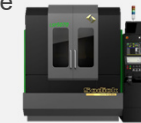
1998 EDM with linear motors



2014 Metal 3D printers



2024 Laser processing machine



Industrial machinery segment

1989 V-LINE ® Injection Molding Machine



1998 TR80EH

2014 TR20EH3



2017 ALM450

2020 Inert Gas Dissolution Injection Molding System INFILT-V ®



Food machinery segment

2007 Noodle making machine



2017 Packed Cooked Rice Production System



Foundation for value creation

1980 Fukui Office



1987 Kaga Factory



1988 Thailand Factory



1994 Suzhou Factory

2006 Amoy Factory



2023 New Amoy Factory



2018 Multi Factory (Kaga)

Sodick's Strengths



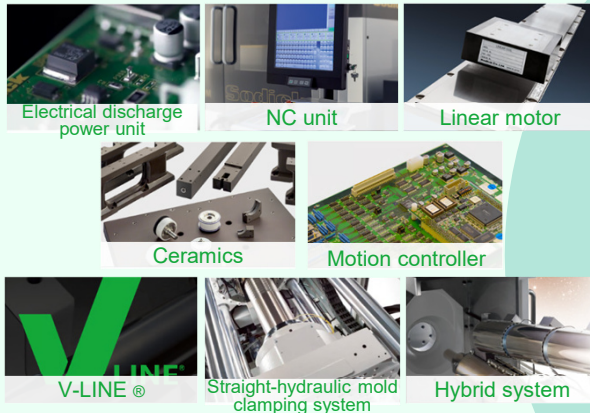
In-house development of core technologies that are sources of our competitiveness
Promoting development in the three bases of Japan, the United States, and China

Global development, production and sales systems
Overseas net sales accounted for about 70% of the total net sales

While conducting R&D activities related to the performance and quality of products such as EDMs, machining centers, and injection molding machines in Japan, **we have been promoting R&D from a global perspective over many years, considering the characteristics of each area.**

We have established production and sales systems that take into account market trends in each area. In addition to promoting base strategies based on the characteristics of each area, we are working on developing a marketing network that can quickly identify changes in each market.

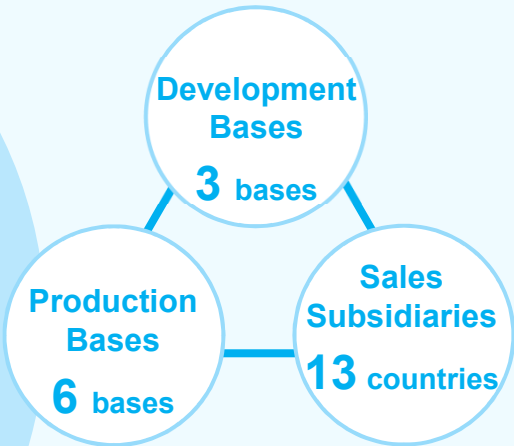
8 Core Technologies



Excellent R&D Capabilities

Global Business Development

Total Manufacturing Solution



Total support for all manufacturing processes from product design to mold processing and manufacturing molded products

We provide total support for all manufacturing processes, from product design to mold and parts processing to finishing machined surfaces and molding. We provide the best solutions to solve customers' problems.

Design

CAD/CAM creates design data in three dimensions.

Processing

Ultra-high-precision machining in sub-micron units is realized by an EDM.

Molding

The injection molding machine with an innovative structure can meet various needs.

Manufacturing process