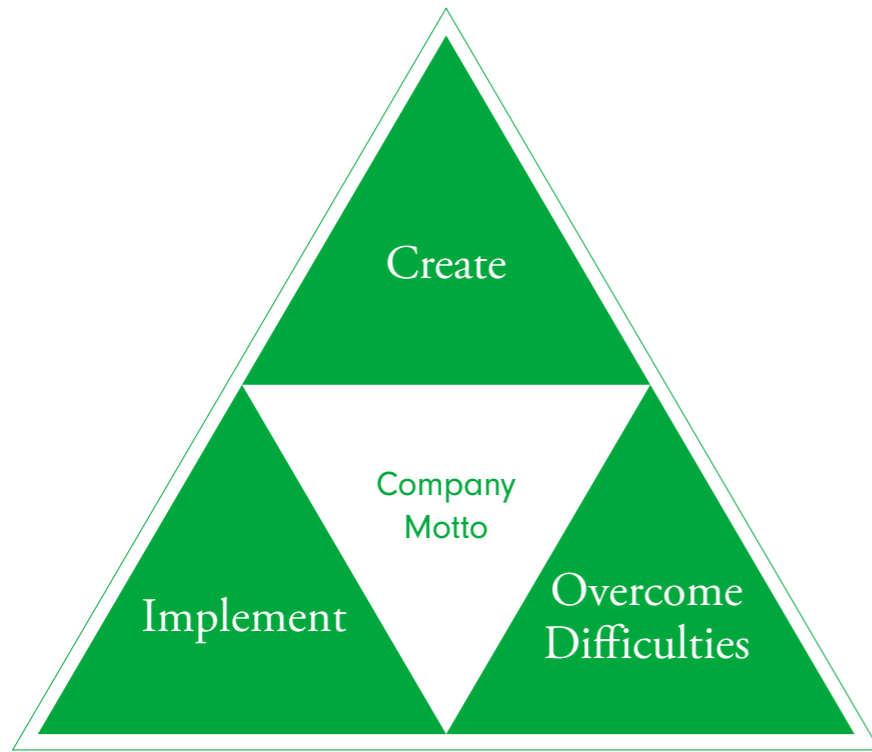




Integrated Report 2020

Sodick Co., Ltd.



“We create it if it does not exist”

Sodick is a pioneer in the field of numerical control (NC) electrical discharge machines (EDMs).

Since our founding, we have dramatically enhanced processing precision through research into electrical discharge control and the development of NC units, thereby contributing to manufacturing worldwide.

Our company motto is “Create, Implement, and Overcome Difficulties,” and our company name Sodick also derives from combining the phonetics of the Japanese words for “Create” (sozo), “Implement” (jikko) and “Overcome Difficulties” (kuro kokufuku).

It encapsulates our deeply held philosophy of “creating” new things, turning these into reality through “implementation,” and through a process of “overcoming difficulties,” contributing to our customers’ manufacturing operations.

Our mission is to create machinery that our customers love to use.

By consistently putting our motto into practice, we further enhance our own technologies and develop them for application in new product groups, thereby contributing to society via manufacturing.

Our S-WING Logo

Our logo “S-WING” features wings spreading to both sides, centered on the letter “S” for “Sodick” in the middle. The wings symbolize our multifaceted development for future generations, and are representative of how Sodick has spread to reach every corner of the world. In establishing this new logo, our thinking was that new wings would be needed to ensure even greater growth and further strides forward for the Company as we look ahead to the future of manufacturing in 10 or 50 years’ time, while at the same time passing on our strengths to the next generation.



Editorial Policy

The purpose of this report is to deepen the understanding of our broad range of stakeholders, and our shareholders and investors in particular, of our value-creation story aimed at achieving the Sodick vision: Helping to create a sustainable society through manufacturing.

This report includes excerpts of basic information, financial data, management strategies, and environmental, social, and governance (ESG) information believed to be particularly necessary for the readers based on the major guidelines.

More detailed information not included in this report can be found on the Sodick website (<https://www.sodick.co.jp/en/>) for your reference.

Report Scope

Sodick Co., Ltd. and its consolidated subsidiaries

Report Period

This report covers performance for the fiscal year ended December 2020. Some of the content included herein dates from immediately before or after the period in question.

Reference Guideline

This report was prepared with reference to the Guidance for Collaborative Value Creation, which serves as a common language with investors.

The Guidance for Collaborative Value Creation is “a common language” linking companies with investors. For companies (corporate executives), it lays out in a systematic and comprehensive manner the information (such as management philosophy, business models, strategies, and governance) that should be communicated to investors. It is a guide for improving the quality of information disclosure and dialogue with investors.



Changes to Our Accounting Period

From FY2017, we changed our accounting period so that instead of ending on March 31, it now ends on December 31. Consequently, the fiscal year ended December 2017 was a transitional period of changeover to the new accounting period, making it an irregular settlement period: the applicable period for consolidation was nine months (April 1 – December 31, 2017) in the case of Sodick, its consolidated subsidiaries and equity-method affiliates whose accounts are settled in March; and 12 months (January 1 – December 31, 2017) for consolidated subsidiaries whose accounts are settled in December. The consolidated subsidiaries that settle their accounts in December comprise seven consolidated subsidiaries in China.

Precautions concerning Forecasts

The current plans, strategies, etc., of Sodick and the Sodick Group described in this report that are not based on historical fact are merely future forecasts, and contain elements of risk and uncertainty. Please be aware that actual performance may differ significantly from these forecasts for a variety of reasons. There are a number of important factors that could potentially affect our performance. These include the economic climate surrounding the business fields of Sodick and the Sodick Group in Japan, the Americas, Europe, Asia, Greater China, and other regions; downward pressure on prices due to changes in demand for Sodick’s products and services and intensifying competition; our ability to continue to provide products and services that are well-received by customers in markets where competition is intense; fluctuating exchange rates; and an increase in global pandemics. Factors that could potentially affect our performance are not limited to those mentioned here.

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Greetings

**It is time to rapidly build the foundation for
a sustainable society and industry.
We are embarking on a major first step toward
the creation of a new Sodick Group.**

First, I would like to extend my sincerest condolences to everyone who has lost family and friends as a result of the COVID-19 pandemic, as well as my sympathy to all who have been infected. I would also like to offer my deepest thanks to front-line medical and health care workers who have been operating under extreme stress.

The spread of COVID-19 has caused significant damage to the global economy and to society. With businesses around the world, the Sodick Group has not been an exception, as our business activities have experienced major adverse effects. Nevertheless, I feel that the COVID-19 pandemic may prove to be an opportunity to accelerate the shift to the next generation of global industry.

With economic globalization, problems related to the earth's environment and resources, and to economic and social inequality, are becoming increasingly complex and severe, to the point that they cannot be resolved through the efforts of a single country or a single economic region. Unless the people of all countries work with determination to build a foundation for a sustainable society, economy, and industry, we will not be able to anticipate a brighter future. This makes it crucial for the Sodick Group to make maximum use of the technological and development capabilities we have cultivated to provide new technologies and a Total Manufacturing Solution for our customers to envision a sustainable future at this turning point. To do this, we need to move quickly to create a new Sodick. Even though we do not know what the future holds, we can see the road we need to pursue. I want this to be our first step, together with all of our stakeholders, toward a new Sodick Group.



Kenichi Furukawa
President and Representative Director



Sodick's Origins



“We create it if it does not exist”

Since its founding, Sodick has continuously carried out research and development under an unwavering philosophy of contributing to its customers' manufacturing operations. This philosophy is supported by our spirit of development, “We create it if it does not exist.” Listening to our customers' various requests, we overcome the challenges presented by technological issues—no matter how difficult—and solve problems together with our customers. If things needed in this process do not already exist, we create and develop them to resolve the issue. The entire Sodick Group continues to carry on this spirit today.

Company Motto

“Create (So),” “Implement (di),” and
“Overcome Difficulties (ck)”

Technology

Sodick's history is rooted in technology

Beginning with electrical discharge machines (EDMs), Sodick's history is one of technological innovation

The quality of Japanese products is recognized in markets around the world, and this quality is the result of technological innovation in machine tools, the “mother machines” in manufacturing. Innovations in EDMs like the use of NC units, linear motors, ceramics, and the V-LINE® System for injection molding machines have all been developed by Sodick in-house to resolve customer issues. Sodick's technological advances are the history of industry's technological innovation, and today we are supporting cutting-edge manufacturing around the world.



Sodick founder Toshihiko Furukawa in 1976, when the Company was established



Included in the Ministry of Economy, Trade and Industry's Global Niche Top Companies Selection 100 program in 2020

Core technologies

In-house development of core technologies that achieve world's most advanced manufacturing

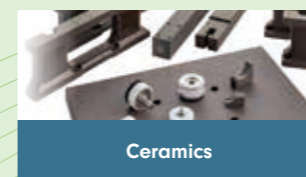
Sodick has established core technologies in NC units, ceramics, linear motors, motion controllers, electrical discharge power units, the V-LINE® System, straight-hydraulic mold clamping system, and hybrid system that achieve greater precision, higher speeds, and multiple functionalities in metal mold machining equipment, a manufacturing tool that is essential for all types of products. We continue to develop new elemental technologies based on core technologies for the world's most advanced machinery, and to pursue challenges in new fields to drive the world's manufacturing.



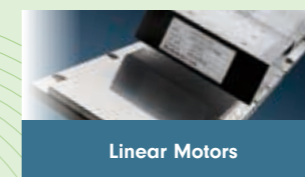
Electrical Discharge Power Units



NC Units



Ceramics



Linear Motors



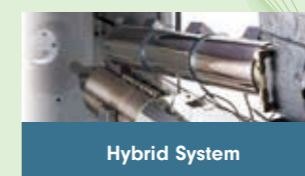
Motion Controllers



V-LINE® System



Straight-hydraulic Mold Clamping System



Hybrid System

Sodick's Value Creation Process

With a unique spirit of development, Sodick has developed its strengths in R&D, global reach, and a Total Manufacturing Solution by carefully listening to customers. We are promoting innovation at customers and in society in the value chains that support the world's manufacturing, with the aim of contributing to the realization of a sustainable society through manufacturing.

Origins/Values

"We create it if it does not exist"

Sodick's Strengths

Global production structure/
Support network

Originality/
Core technologies/
R&D capabilities

Total Manufacturing Solution

Sodick's value chain supports the world's manufacturing

Promoting innovation at customers and in society

Food Machinery

Others

Machine Tools

Industrial Machinery

Long-term Management Plan

Next Stage 2026

~ Toward Further Growth ~

- Increase competitiveness of existing operations, develop product lines to drive growth and expand business
- Achieve portfolio transformation and establish a stable earnings base

Quantitative targets for FY12/2026

Net sales **125** billion yen

Operating income **17** billion yen

Strengthen business bases to promote sustainable growth

Corporate governance

Work-style reform

Organizational reform

IT

5G

Goals

Contributing to the realization of a sustainable society through manufacturing

Contribution toward achievement of SDGs



Environment

CASE

MaaS

Food

Medical

Examples of Creating Value

Research&Development

Continuously Creating Value That Does Not Exist in the World — Sodick's Research and Development

In addition to innovation for global industry, Sodick's products generate various types of social value including higher productivity, environmental protection, and manufacturing workplace innovation. Sodick's research and development divisions use high-quality human resources and proprietary development processes to fulfill their mission of continuously creating distinctive, unique products that meet a variety of difficult development requirements.



330W NC wire-cut EDM, which allows for 5-axis control

Overcoming multiple technological hurdles to provide value sought in the manufacturing workplace

NC EDMs and linear motor drive EDMs, which today are commonplace in manufacturing workplaces, were developed by Sodick. Electrical discharge processes began being used as a mold production technology in the 1960s, but a variety of issues arose including the time required for processing, a rough finished product, the short life of electrodes, and a heavy burden on the persons doing the processing. In 1965, Sodick's founder Toshihiko Furukawa invented the non-consumable electrode circuit. This was followed by the development of the Loran technology that achieved high-precision processing, and a succession of NC units that dramatically resolved issues related to processing times and workloads. In 1976, Sodick was established and created the world's first NC die-sinker EDM equipped with a microcomputer.

During the 1970s and 1980s, Japanese companies produced a stream of groundbreaking new products that led to the expression "Japan as Number One," and automobiles, home electronics, and other products labeled "Made in Japan" boasted high competitiveness in global markets. That functionality and quality were underpinned by EDMs that were able to make high-precision molds from very hard materials in complex shapes. As a leading company in EDMs, Sodick pursued technological innovation that overcame various hurdles in areas including precision, cost, delivery times, and complexity.

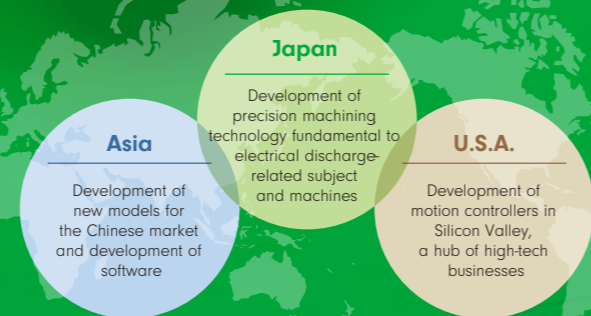


AM35L, the world's first linear motor-equipped die-sinker EDM

Trilateral global development system

From an early date, Sodick has pursued research and development from a global perspective while closely following the characteristics of each region. As our primary centers for research and development, the Head Office and the Kaga Office, have formulated a roadmap that looks 10 years into the future. Our research center in Silicon Valley in the United States, established in 2000, is using IoT platforms and advanced control technologies incorporating the latest technologies, taking advantage of its location in this leading IT hub, to develop key components, and our research center in Shanghai, China, established in 1991, is developing software focusing on human interfaces.

Development using trilateral system promoted by Sodick



Creating next-generation manufacturing as a driver of innovation sought by industry and society

In the early 1990s, industry was rapidly globalizing, and manufacturers in China, South Korea, and other emerging countries made major advances. Sodick, which had developed proprietary injection molding machines, machining centers, linear motors, and other products that defied conventional wisdom, grew to become a company that supported the world's manufacturing. In addition, amid growing interest in preventing global warming, we established the world's first high-quality recycling system for used electrode wire, as we played a major role in reducing the environmental impact of manufacturing. With the arrival of what has been called the fourth industrial revolution, we are now leading the industry in the pursuit of development using AI, realizing automation and labor savings using IT and digital technologies, and contributing to the improvement of corporate earnings and the resolution of issues associated with labor shortages. In 2014, we developed the OPM250L metal 3D printer that achieves fully automated processing, making it possible to dramatically shorten the molding cycle.



HC03VRE, ultra-high cycle, ultra-compact, ultra-stable injection molding machine



OPM250L, a metal 3D printer developed in 2014

"Main Award" at the 57th Best 10 New Product Awards and the "Nippon Brand Award" at the 45th Industrial Machine Design Special Awards, both sponsored by the Nikkan Kogyo Shimbun, and the Good Design Award 2015

Cultivating human resources who constantly aim to be the world's top developers

The Advanced Research Center carries out cross-business human resource development with the objective of growth with experience. The program for new hires teaches the basics of Sodick's core technologies through an NC school, mounting technology training and on-site training, and training for AI engineers. This is followed by a training curriculum and study sessions to create expert personnel with specialized education in general skills from other companies and Sodick, and skills unique to business divisions. Training opportunities are available to all employees, from young staff to managers, to enable them to study as per their individual experience.

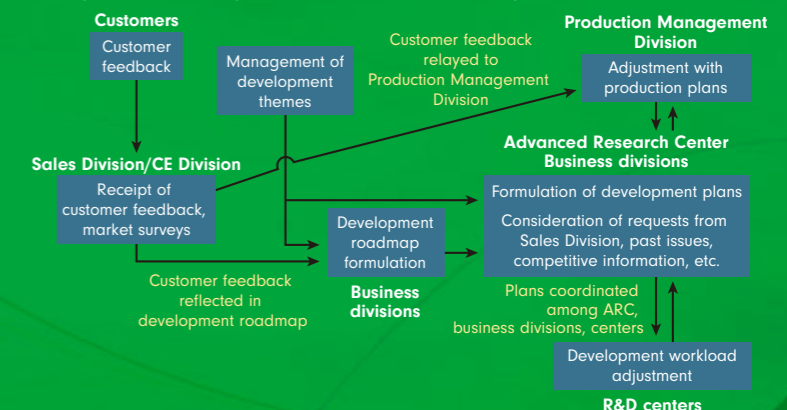
Training at the Advanced Research Center

Level	Other companies' general skills	Sodick's general skills	Skills unique to business divisions	OJT
Managers / Supervisors	Machine tool expert management workshop Security expert control workshop	Acquisition of programing skills Acquisition of programming skills Various technical seminars Mounting technology seminar Mounting technology management workshop	Fire and evacuation drills Environmental (ISO) training	Acquisition of expertise in various machine tools and processes Acquisition of various CAD/CAM operations and skills Design reviews Code reviews
General staff	AI engineer training course	NC School (1st year employees)	Mounting technology training (1st year employees) Mounting line on-site training (1st year employees)	Mounting line on-site training (1st year employees)

Customer feedback reflected in development roadmap

At Sodick, customer needs are shared companywide and development themes are selected at business meetings and quality control meetings, in which representatives of related departments participate. We manage development themes to determine what kinds of technologies are needed to achieve the performance and functions that customers request, and formulated a development roadmap. The Production Management Division, Sales Division, business divisions, Advanced Research Center, and R&D centers are all included into one plan, which is approved together with the budget.

New product development themes and roadmap



Examples of Creating Value

Effective use of resources

Contributing to a Sustainable Society through Manufacturing

As a pioneer in EDMs, Sodick supports the world's manufacturing, and we aim to contribute to a sustainable society through manufacturing. By working to enhance the environmental performance of our products, we are making efficient use of resources and energy while promoting innovation at our customers and in society.

Machine Tool Segment

Enhancing machines' performance while simultaneously achieving energy and resource conservation, Sodick is helping customers reduce their environmental impact

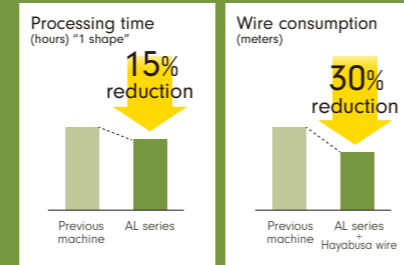
The performance of machines used in the process of product manufacturing has a major effect on the environmental impact of manufacturing. In the case of power units, for example, electric power consumption and the amount of consumables used can be reduced by increasing the processing speed to shorten the processing time. With machines as well, the number of processes and time required can be reduced by increasing machining precision. Since its founding, Sodick has developed a succession of core technologies in-house that have significantly enhanced the performance of the machines we provide to customers, thereby continuously contributing to the reduction of our customers' environmental impact through our products. In 2020, we developed the AL i Groove Edition, the world's first wire-cut EDM equipped with a "wire rotation mechanism," which enhances quality in terms of machining and reduces the amount of wire consumed.

In another effort to make effective use of resources, we have established the world's first recycling technology that produces the same quality as original electrode wire, which is essential in electrical discharge processes. After processing at the customer, the used electrode wire is collected, melted, and recycled into electrode wire that can be used in high-precision processing.



AL i Groove Edition wire-cut EDM

When used for 80-mm plate thickness, step shape fit machining



Processing material: SKD11
 Plate thickness: 20-80 mm
 Machining precision: ±2.5 μm
 Surface roughness: Ra 0.328 μm (Rz 2.463 μm)
 Wire diameter: φ 0.20 mm (Hayabusa wire)

SDGs targets for contributions throughout the value chain

SDGs target	Sodick activity	SDGs target	Sodick activity
1. No poverty, 2. Zero hunger	● Contributing to resolution of food issues with development of food machinery that extends the shelf life and preserves the freshness of foods, and achieves germ-free processing	9. Industry, Innovation and Infrastructure	● Development of technologies that promote innovation at customers and in society
7. Affordable and Clean Energy	● Promoting development of environmentally friendly products that contribute to energy savings at customers ● Introduction of clean energy and initiatives to reduce CO ₂ emissions from business activities	12. Responsible Consumption and Production	● Enhancement of product quality and safety ● Development of technologies for reuse and recycling and other sustainable manufacturing technologies ● Promotion of green procurement
8. Decent Work and Economic Growth	● Making manufacturing workplaces more comfortable through automation and higher productivity	14. Life Below Water, 15. Life on Land	● Promotion of adoption of renewable raw materials including biodegradable plastic

Industrial Machinery Segment

Reducing resource waste through enhanced injection molding machine performance, and developing useful technologies to promote the use of biodegradable plastic

Sodick's injection molding machines for plastics, difficult-to-machine materials, and light metals are used to mold parts for things including automobiles, telecommunication equipment, electrical and electronic equipment, and medical equipment. By pursuing technological innovation in injection molding machines, we have not only improved yields and reduced resource waste, but also achieved compactness, thinness, lighter weight, and higher quality in a variety of finished products. With the growing popularity of electric vehicles and 5G telecommunications, DX, and advances in areas like minimally invasive treatments*, Sodick's technologies are making a behind-the-scenes contribution.

The INFILT-V system, which we successfully introduced during 2020, can easily mold thin and deep biodegradable plastics that were previously difficult to handle. With environmental pollution from plastic waste, including marine plastic waste, becoming a global problem, it is preferable to use biodegradable plastic that decomposes into the earth if discarded, but to date its use has been limited because it is difficult to mold. With INFILT-V, our proprietary V-LINE® injection molding machines, which are designed for high-precision molded items, are able to use biodegradable plastic. We expect to promote its widespread use.

* Medical treatment that minimizes pain, fevers, and bleeding in patients who undergo surgery and tests.



MS100, eV-LINE electric injection molding machine equipped with the INFILT-V system



Left: Standard molding
 Right: Using INFILT-V

Food Machinery Segment



Boiling machine equipped with CIP automated cleaning

Main features

- Highly precise weighing, achieving exceptional precision
- HACCP-recommended CIP function supports manufacturing sites
- Labor savings significantly reduce running costs



Aiming to help resolve society's food issues with enhanced quality of noodles and rice and technologies for long product life

Japan is blessed with abundant food, but food shortages and hunger are major problems around the world. Noodles and rice are good, extremely efficient food ingredients; by boiling them the raw ingredient can be processed into finished products that are two or three times the volume of the raw material. Sodick has strengths in development and manufacturing equipment that is able to produce noodles and cooked rice continuously and with stability, and we aim to use technology to help resolve society's food issues.

Sodick's main products are boiling machines equipped with CIP automated cleaning that were initially developed 25 years ago from the perspective of HACCP*. CIP is a system that automatically cleans the inside of the equipment in a fully automated process from boiling and cooling to measuring, allowing for stable, safe production. By reducing the count of viable bacteria during processing, the extended shelf lives for noodles are highly regarded by major noodle manufacturers and convenience store vendors. Sodick hopes to contribute to enhancing food safety and food culture around the world with this equipment and other technologies for sterile-packed cooked rice production and automation equipment for confectionery and Japanese-style deli dishes.

* HACCP: Hazard Analysis and Critical Control Point; an international food hygiene management standard

President's Message

With the arrival of a new age, we will provide our customers with “machine tools of the future” as a key player in technological innovation in manufacturing.



Kenichi Furukawa
President and Representative Director

Supporting customers' value creation with full product line from metal molds to molding

Sodick also has one more major feature for providing value—a Total Manufacturing Solution. Creating the metal mold is the first process in manufacturing, and this very important process significantly affects the product's quality and functionality. Sodick's EDMs are able to machine metal molds with materials that are difficult to handle and with high precision, but depending on the precision of the molding process, it becomes difficult to maintain the precision of the final molded product. To enable customers to ensure stable quality and achieve business growth, Sodick considers it optimal to offer a product lineup that provides total support for manufacturing, from metal molds to molding and processing. Sodick's proprietary V-LINE® injection molding machines are able to ensure that a measured, uniform amount of resin is injected into the mold. Because this makes it possible to achieve high yields with uniform, stable molding, these machines are highly regarded in various sectors including automobiles, information technology, and medical equipment, and in recent years demand has been growing as equipment for molded products with difficult shapes that require ultra-precise machining like high-end smartphone lenses and connectors, and components in automotive mechanisms.

Long-term vision aiming for sustainable growth together with customers

Globalization of manufacturing changing customers' issues

By the 1990s, Japan's manufacturing industries had become highly regarded globally, and to support our customers' overseas development, we expanded and extended our development, production, and sales structures globally. At that time, Sodick's customers had a very strong sense of on-site technological inquisitiveness and aspiration, and we therefore considered it very important to provide value by addressing on-site needs.

Technology has value if it is used by customers


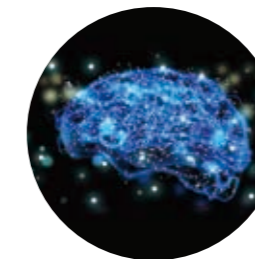


Building up core technologies by addressing on-site manufacturing needs

During the 1960s, Sodick's founder, the late Toshihiko Furukawa, was working at Japax, Inc., Japan's first manufacturer of electrical discharge machines (EDMs). Japax was born out of a desire to rebuild Japanese manufacturing after World War II, and emphasized research and development. In 1965, while Mr. Furukawa was working at the Japax subsidiary MEP, he invented the non-consumable electrode circuit as a way to resolve a major technological issue for EDMs at that time. He took it to customers' workplaces to try in an actual factory setting, and moved forward with its development through trial and error. In response to the oil crisis, Japax formulated a plan to dissolve MEP, and Mr. Furukawa, having a strong sense that technology only has value if it is used in the workplace, decided to become independent, and together with some colleagues established Sodick.

Initially, Sodick only had 24 employees, but its approach to resolving customer issues led to increased business. The year of the Company's founding, 1976, marked the solid start of development of the world's first NC die-sinker EDM, which was equipped with a microcomputer, and power units for this EDM were announced the following year. By continuously developing technologies that overwhelmed its competitors, 10 years after its establishment Sodick became the first EDM manufacturer to be listed on the Second Section of the Tokyo Stock Exchange.

Sodick's starting point is to “contribute to our customers' manufacturing operations”—the philosophy on which the Company was founded. Our spirit of development, “We create it if it does not exist” means that if we are to resolve customers' issues, we need to create new technologies to achieve success. If a customer needs a certain part or processing technology to make what they want to manufacture, and that part or technology does not exist or is too expensive to use, we do not tell the customer, “It can't be done.” The large number of core technologies that are extremely important in machine tools possessed by the Sodick Group today is the result of this repeated process of developing and manufacturing in-house things that do not exist.

Future Machine Tools

<p>IoT Visualization</p>	<p>AI Intelligence</p>
 <p>Connected machines and factories/ Visualization and optimization of entire production process</p>	 <p>Smart factory/ Automation and labor saving/ Performance enhancement using sensors</p>
<p>Dynamics Flexibility</p>	<p>Society 5.0 High Efficiency</p>
 <p>Dynamic cell production/ Diverse and flexible manufacturing/ Stable quality and traceability/ Compound system</p>	 <p>Optimization of manufacturing/ Energy and resource saving/ Environmentally conscious and state-of-the-art materials</p>

Advantages of Automation

- Improved productivity
- Continuous operation for extended periods
- Stable product quality
- High-variety flexible volume production
- Machining process optimization
- Advanced reproducibility
- Improvement in ease of maintenance
- Cost reduction
- Realization of smart factory
- High-speed and high-precision machining
- Improved safety
- Solving labor shortage problem
- Space saving

This began to change around 2000. Globalization was advancing and Japan's manufacturers were recording an increased portion of sales overseas, while at the same time the needs of consumers in developed markets had begun to diversify. Manufacturing was also affected by declining birthrates and aging populations, and by advances in computerization, calling for innovation at manufacturing sites to increase productivity while reducing costs.

There was also a shift in what our customers wanted, from a desire for better, more precise machinery to things like "How can we improve our processes?" and "I know the machine is good, but how can I make the best use of it?" In response to this shift, we applied the technologies we had cultivated in-house and developed a succession of products including nano-machines, NC units equipped with 3D CAD-CAM functionality, electron beam machines, and nano-EDMs, and refined our Total Manufacturing Solution. Then, since the 2008 global financial crisis, we have been working to contribute to our customers' manufacturing operations by providing general manufacturing solutions and consulting together with our products.

Long-term vision

Long-term management plan: "Next Stage 2026 ~ Toward Further Growth ~" Building on our founding spirit of "Create (So)," "Implement (di)," and "Overcome Difficulties (ck)," we are refining technologies that will lead to a rich future and pursuing the challenge of achieving a sustainable society through manufacturing.

Sodick's "Next Stage 2026" long-term management plan for the next 50 years

We have formulated the long-term management plan "Next Stage 2026 ~ Toward Further Growth ~" covering the period to 2026, which will mark the 50th anniversary of Sodick's founding. Faced with changes in global markets, including the innovation in the automotive industry, advances in IoT and AI technologies, the spread of 5G networks, and more advanced levels of manufacturing in emerging countries seen in recent years, our customers

have continued to struggle to read the future, asking questions like "What will happen to manufacturing going forward?" and "What direction should we pursue?" Our customers are engaged in cutting-edge manufacturing, and are being called upon to address social issues related to the achievement of a sustainable society through higher precision, miniaturization, and a reduced environmental impact. Our long-term vision aims for sustainable growth together with our customers, while flexibly addressing these types of social issues related to sustainability.

For our customers to build production structures that surpass their current levels in terms of precision and stability, automation of production lines and labor savings are themes they cannot avoid, meaning they will need to incorporate things like machine sensing, the collection and transfer of various diverse data, controls that make full use of sensor information, and preventive maintenance technologies into their production lines. Sodick has launched a business innovation project to create a structure to provide these things to customers as a total package, rather than as individual pieces. Our objective is to review and reorganize the organizational structure of each business division and value chain to be able to provide total solutions that integrate development, manufacturing, sales, and service. To date, Sodick has created things that did not previously exist in the world and refined our in-house technologies, but going forward we will proactively engage in open innovation.



Sodick will evolve to make the future of manufacturing

Accelerating the shift to a sustainable society during the fiscal year ended December 2020, the year of the COVID-19 pandemic

Our business results for the fiscal year ended December 2019, the first year under the long-term vision, were adversely affected by factors including friction between the United States and China, and during the fiscal year ended December 2020, the second year, we were unable to avoid a huge effect from the spread of COVID-19 and the Group's business performance suffered significantly. Over the course of the year, we have implemented measures Companywide to prevent the spread of infections, thoroughly ensured health and safety, and reduced infection risks through programs including remote work and staggered working hours, while maintaining our sales and production structures. These responses have provided an opportunity to accelerate our internal DX and the creation of an online sales structure. In addition, looking at global market trends since the second quarter, I have a clear sense that the COVID-19 pandemic has acted as an opportunity to accelerate the shift to a sustainable society in areas like electric vehicles in the automotive industry and 5G in the telecommunications industry. Going forward, although we cannot expect a major recovery in our results from equipment upgrades, we do expect facility investment-related demand to grow as customers launch new businesses.

At this point, our quantitative targets of net sales of 125 billion yen and operating income of 17 billion yen for 2026 certainly present high hurdles, but going forward, we will respond to the acceleration of technological innovation and provide value that allows our customers to survive in the manufacturing markets of the future. By doing so, I do not consider it impossible to come close to achieving the targets of the long-term vision and to increase our contribution to the creation of a sustainable society. By transforming the business portfolio for greater earnings stability and the business structure for the creation of new value, we have already begun working in earnest to achieve our goals. Our various business strategies are unchanged; we are only accelerating what we need to do, and this will include proactive facility investments.

I consider 2021 to be a very important year for the creation of a new Sodick Group as we approach the 50th anniversary of our founding. I hope that all of our shareholders and investors will look forward to Sodick's future, and ask for your continued support.

Results for the fiscal year ended December 2020 (million yen)

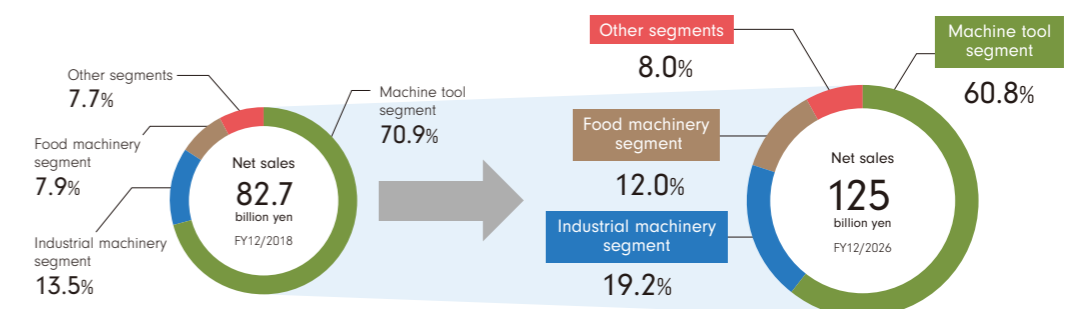
	FY12/2019		FY12/2020	
	Results	Income margin	Results	Income margin
Net sales	67,591	—	58,030	—
Operating income	3,422	5.1%	1,852	3.2%
Ordinary income	3,558	5.3%	2,046	3.5%
Profit	2,002	3.0%	1,346	2.3%

Forecasts for the fiscal year ending December 2021 (million yen)

	FY12/2021	
	Plan	Income margin
Net sales	65,400	—
Operating income	4,100	6.3%
Ordinary income	4,100	6.3%
Profit	3,000	4.6%

Sodick Group's 2026 Goals

Increase competitiveness of existing operations, develop product lines to drive growth and expand business. Achieve portfolio transformation and establish a stable earnings base.



Strategy by Value Chain

R&D

Sodick has a strong track record of using its unique technologies to support manufacturing sites around the world. In our research and development divisions, we work day and night with customers to tackle new technological issues. Through these efforts, we aim to contribute to technological innovation in various industries and to the realization of a sustainable society.

- Competitive advantage** Since its founding, Sodick has driven its R&D forward in pursuit of creating the world's most advanced EDMs. The resulting progress has become our greatest strength in the value chain. We have technologies that are indispensable in manufacturing, such as NC units, mechanical structure, ceramics, linear motors, motion controllers, and electrical discharge power units.
- Strategy**
 - Establish a new technological pillar to follow EDMs, based on the Group's growth strategy
 - Machine Tools** ...Use network of global R&D centers for integrated technological development and increased in-house production
 - Industrial Machinery** ...Pursue increased automation and stabilize injection molding machines for light metals and biodegradable plastics
 - Food Machinery** ...Strengthen development of products and high-quality machinery for overseas markets

Message from our Director

We will develop highly efficient, sustainable manufacturing systems to address the future needs of society.

Technological development capabilities that meet the needs of customers around the world

Mold manufacturing is crucial to manufacturing. The processes for creating faster, higher-performance products and more environmentally friendly products require molds to provide precision at a level that is always near the threshold of what is technologically possible. The machines needed to manufacture such molds require even greater precision. To meet the demands of our customers and from society, Sodick has used in-house development to repeatedly overcome technological barriers. Today, we maintain a trilateral system for both machinery and power units, continuously sharpening our competitive edge through design and development activities that embody our company motto of "Create, Implement, and Overcome Difficulties."

Laying out a roadmap for product and mold requirements

The world's technological trends are changing rapidly, as are the technologies underlying them. Continuing rapid evolution in the processing power of computers is driving the emergence of technologies such as AI and new system standards. Sodick gathers information at its three R&D centers in Japan, the United States, and China to anticipate future requirements for products and molds. We then use our Joint Technical Meeting to lay out a roadmap for technological development. In addition, all divisions in the value chain participate in a monthly Technical Meeting to monitor progress and align the direction of our development. Insights from these meetings are incorporated into the actual development process.

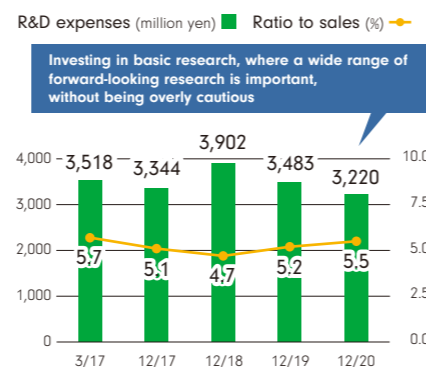
Developing metal 3D printers for the next generation of manufacturing

In recent years, Sodick has been investing heavily in the development of metal 3D printers that will revolutionize the mold manufacturing process and contribute to sustainable manufacturing. However, their use in manufacturing is still limited, with further R&D needed before their application can become practical. To address the issue of large distortions that occur in the process of molding dies, we are pursuing technological innovation by adopting the SRT method, which enables molding with minimal distortions. In addition, we are accelerating the in-house development of major mechanisms based on the technology we have accumulated in developing EDMs. We are also focusing on the development of next-generation metal 3D printers that will achieve, for a low price, high performance surpassing conventional levels.

R&D centers and their main R&D themes

R&D centers	Locations	Main R&D themes
Advanced Research Center	Yokohama and Kaga, Japan	Overall R&D management of the Group
Shanghai Sodick Software Co., Ltd.	Shanghai, China	Software development
Sodick America Corporation	San Jose, United States	Motion controller development

R&D expenses



Investing in basic research, where a wide range of forward-looking research is important, without being overly cautious

Quality Assurance

We are building a Group-wide quality management system, so that customers can install Sodick products with confidence and want to use them again.

- Competitive advantage** The year 2026 will mark the 50th anniversary of the founding of Sodick. To ensure that we can continue to earn the trust of our customers for the next 50 years, we have adopted a global quality management system at all Group companies. At the center of this is the Quality Assurance Department, which reports directly to the Chairman.
- Strategy**
 - Review quality evaluation methods to incorporate the customer's perspective into our product development
 - Improve the skills of employees to strengthen technological and management capabilities
 - Promote defect prevention activities to maintain and enhance the Sodick brand

We are building a system for sharing quality information globally in real time.

Company-wide QVP+ activities for policies on quality, the environment, and safety

Sodick has established a system to promote quality, the environment, and safety with the aim of using manufacturing to contribute to the realization of a sustainable society. We have established policies for quality, the environment, and safety in the value chain, and promote our QVP+ activities as a way of maintaining a PDCA cycle globally throughout the Group. All production centers share their activities at an annual presentation event; the team with the most outstanding activity receives an award. QVP+ activities are continuous improvement activities geared toward medium- and long-term goals. They also provide an important opportunity to educate employees.

In addition, our global sales and support network enables us to respond quickly to defects or issues at the customer's site. In some rare cases, however, we have had to keep customers waiting, which was a major problem. In the fiscal year ending December 2021, we are working to introduce a system for sharing customer feedback globally and in real time. With this system, we aim to significantly reduce the downtime of our customers' machines worldwide.

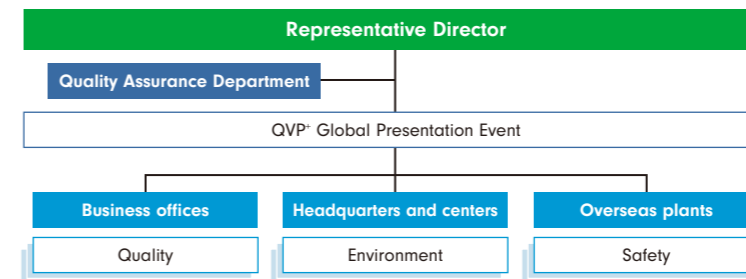


Yuji Kaneko
Chairman and Representative Director

QVP+ Companywide Policy



Quality, the environment, and safety promotion system



Production and Supply Chain

Sodick supplies the global market using a trilateral system based in Thailand, China, and Japan. We are working to establish a robust and well-balanced production structure and supply chain, so that we can ensure a stable supply of high-quality products to our customers under any circumstances.

- Competitive advantage** One of Sodick's major strengths is our ability to provide fast, accurate, and cost-competitive support to our customers. This is backed by our many in-house developed technologies and our high rate of in-house production. We are pursuing a production structure that is more resilient to emergencies and market changes. Adhering to the concept of local production for local use, we have adopted a system of six plants in three regions around the world.
- Strategy**
- Build a more robust global production structure with Japan at the core, based on the Group's growth strategy
 - **Machine Tools** ...Improve production efficiency using IoT/AI
 - **Industrial Machinery** ...Increase overseas production and continue cost reductions
 - **Food Machinery** ...Build localized production structure, including expansion of production capacity in China

► Message from our Director

To support our customers' manufacturing, we are strengthening our response to a variety of global risks.

Earning our customers' deep trust through in-house development and production

A key feature of our business is that we develop and manufacture most of our products—including power units, circuits, and structures—in-house. This has helped us earn the deep trust of our customers, who appreciate our ability to provide solutions to all their machinery needs. We are part of our customers' supply chains, providing them with machines that support their manufacturing objectives. To fulfill our mission of delivering quality products without interruption, we work to reform and strengthen our supply chain by balancing the concentration and dispersion of our suppliers.

Construction of a new building at the Amoy Plant in Xiamen, China for injection molding machines and food machinery

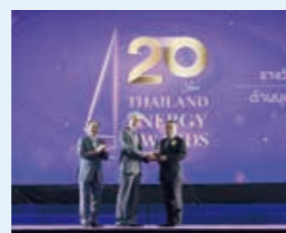
We are planning to build a new plant at our Amoy Plant in Xiamen, China, to increase production capacity for industrial machinery and food machinery, which we have positioned as growth businesses. In the machine tool production line, which has already gained a large market share, we will strive to improve production efficiency and profitability by digitalizing the production line using IoT and AI. At the same time, we will further strengthen our global production structure by enhancing the production line for injection molding machines and noodle-making machines, for which we are expecting growth.



Hideki Tsukamoto
Senior Executive Managing Director,
Machine Tools Division
and Production Management Division

Thailand plant wins an award in the Thailand Energy Awards 2019

The engineers at Sodick Group's Thailand plant (Sodick Thailand)—our biggest production center—formed an Energy Saving Committee in 2016, and have endeavored to reduce the energy usage of the entire plant. As a result, and in recognition of a reduction in energy usage for three years running, the plant received an award in the Energy Management Team for Designated Factory category of the Thailand Energy Awards 2019, a scheme organized by Thailand's Ministry of Energy to recognize environmental management and energy-saving activities in the country.



The award ceremony

Sales and Sales Support

Sodick is targeting the changing needs of society, such as the automotive industry's shift to EVs, digitalization through 5G and IoT, and the latest medical treatment. In this way we are pursuing robust growth, cultivating the market for Sodick products that offer strong performance in lightweighting, miniaturization, and high precision.

- Competitive advantage** Sodick has had a global mindset from early in its business development, establishing sales and support systems in Japan, North and South America, Europe, China, and the rest of Asia. In coordination with the development and production divisions, we have worked as one Group to support our customers as they expand overseas and augment their production facilities. We have earned our customers' trust and built close relationships.
- Strategy**
- Promote a global marketing strategy aimed at reducing our dependence on the Chinese market
 - **Machine Tools** ...Strengthen sales structure for machining centers and metal 3D printers
 - **Industrial Machinery** ...Apply molding machine sales experience gained in the North American medical market to Europe
 - **Food Machinery** ...Cultivate demand for high value-added products in China and the rest of Asia

► Message from our Director

We will continue cultivating markets in response to emerging needs of the times, for the benefit of our customers and of society.

Sodick as a trusted partner for overseas expansion

Sodick's sales and support teams not only work together to resolve issues faced by customers around the world, but also collaborate closely at area-specific global business meetings attended by all divisions in the value chain. Our sales activities are guided by a clear vision of the Group's growth strategy.

These Group and global activities have been evaluated highly by our customers, who appreciate being able to rely on Sodick for the development of new locations and the expansion of overseas facilities.

Creating new value with injection molding machines that have high growth potential

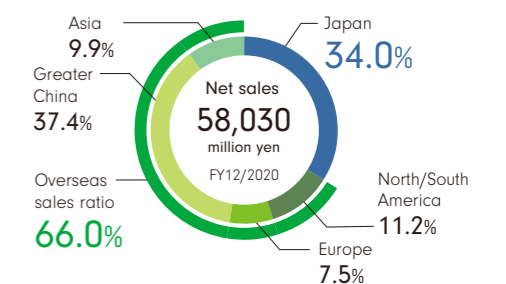
In the industrial machinery segment, we are promoting market development with the aim of increasing the ratio of overseas sales to total sales to 70% or more. In the North American market, our injection molding machines have earned a high reputation in the medical field. Approximately 70% of our customers produce precision medical equipment such as cardiac pacemakers. In the future, we will apply this success story to other regions.

In the automotive field, demand for metal replacement parts and electronic parts is increasing due to lightweighting and electrification of EVs. Our injection molding machines offer miniaturized, high-precision molding technology that meets these needs. Our machines can also mold new materials, which contributes to sustainable manufacturing. As we carry out our sales activities, we are also mindful of the need to contribute to the SDGs.



Keisuke Takagi
Vice President and Representative Director,
Sales Managing Division

Composition ratio of net sales by region



CFO's Message

Aiming to establish strong financial and earnings bases while continuing to make strategic, stable investment for growth and in R&D

Hirofumi Maejima
Executive Managing Director, Corporate Division



Q 1 Please give us a look back at the fiscal year ended December 2020.

We anticipated a deterioration in the business environment during the fiscal year ended December 2020 from the spread of COVID-19, and at the beginning of 2020 we instructed all divisions to strengthen measures to reduce expenses, which we did to the greatest extent possible on a Companywide basis. At the same time, we proactively invested in DX and strove to increase operational efficiency. With regard to facility investments, we limited outlays to high-priority strategic investment and highly urgent investment, including production equipment upgrades at the Kaga Office, equipment for experiment and research at the Head Office, and automation of the production line of subsidiary Sodick F.T's precision dies

and mold operations. As a result, facility investments for the fiscal year totaled 2,450 million yen, significantly below our initially planned 4,500 million yen.

Also in March 2020, a drop in our share price brought the price book-value ratio (PBR) below 0.5 times, and we took advantage of this opportunity to purchase and cancel treasury shares as a flexible capital policy to strengthen returns to shareholders and boost the share value. With the share price rising after the purchases began, we did not purchase the full number of shares authorized. We also canceled an additional 2 million treasury shares in February 2021, and going forward we intend to pursue flexible capital policies to bolster the share value.

Q 2 Please explain the capital allocation strategy envisioned in the "Next Stage 2026" long-term management plan.

Both the machine tool and industrial machinery segments are heavily affected by trends in demand for facility investments, and given this business risk associated with economic trends, since the 2008 global financial crisis Sodick has worked to strengthen its financial position. Recently, our equity ratio has risen to close to 50%, approaching the industry average of roughly 55% at our major competitors.

Under the "Next Stage 2026" long-term management plan, we will transform our business portfolio to strengthen our resilience against changes in the operating environment, with the machine tool segment emphasizing automation, IoT, solutions, and services, as well as by expanding our businesses in metal 3D printers, injection molding machines, and the food machinery segment. In terms of capital efficiency, we will identify estimated values

including return on invested capital (ROIC) and weighted average cost of capital (WACC) for our business segments, and pursue medium- to long-term business returns that surpass the cost of capital.

As a basic policy for the use of capital, we are working to invest for growth and raise profitability, while securing necessary internal reserves, strengthening our financial position, and increasing management flexibility. Our earnings targets are for a consolidated ordinary income margin of at least 10% and growth in net sales, while also raising profitability through initiatives including expense reductions and the use of DX to improve operational efficiency. Our targets in terms of financial strength are a debt-to-equity ratio of 0.5 times or lower, a positive net cash position, and an equity ratio of 55%, and after establishing this stable financial base, we will

balance the allocation of capital between investments for growth and returns to shareholders.

With regard to investment in R&D, we will continue to invest in areas where growth is forecast, including metal 3D printers, high-precision machining centers, injection molding machines, and food machinery (new products other than noodle-making machines and cooked rice production systems). As an R&D-orientated company, our R&D budget is not tied to sales, and we have continued to carry out necessary R&D even during periods of weak business performance. Going forward, we will aggressively invest in R&D with a view toward technological development 10 and 20 years into the future.

In terms of investment to increase production capacity and streamline operations, in addition to pursuing DX at each plant, during 2021 we plan to increase production capacity at the Amoy Plant in Xiamen, China. In addition to new manufacturing of injection molding machines, for which demand is growing in China, we also plan to increase production capacity for food machinery with the aim of strengthening sales in China and the rest of Asia. Demand is growing for both of these products throughout Greater China, and we are aiming for local production for local use over a wide area.

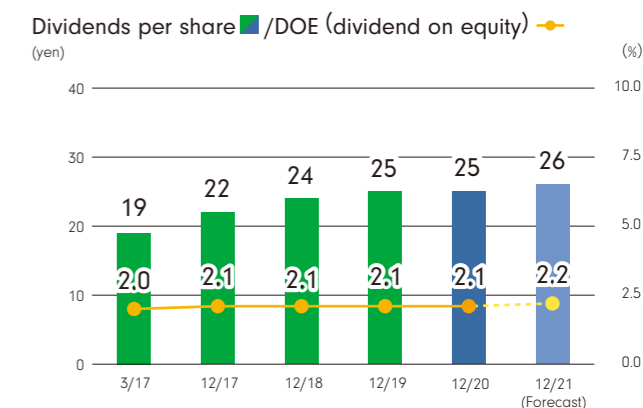
Long-term financial targets

Capital efficiency	Consolidated ordinary income margin of 10% or higher
Financial strength	D/E ratio of 0.5 times or lower/Positive net cash position/Equity ratio at about 55%

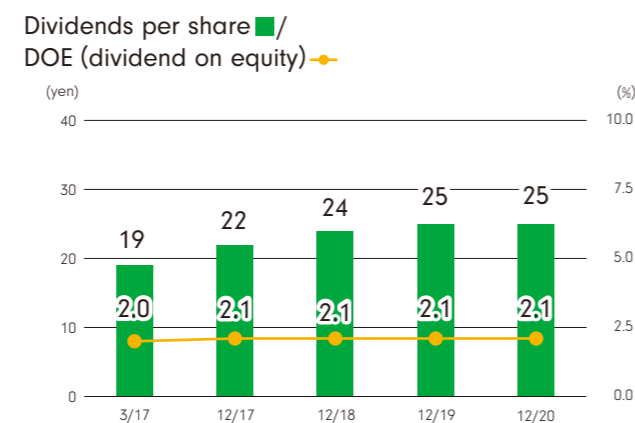
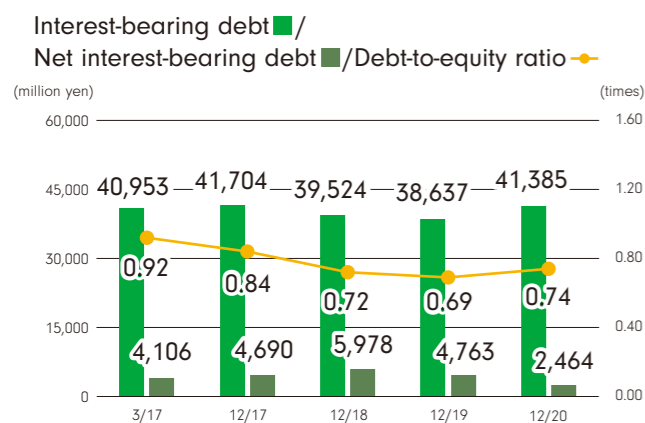
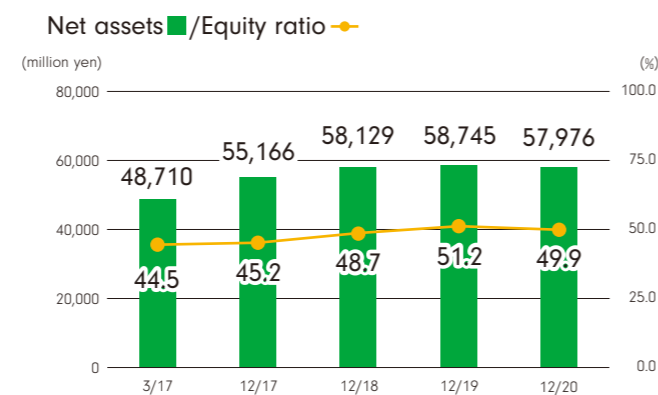
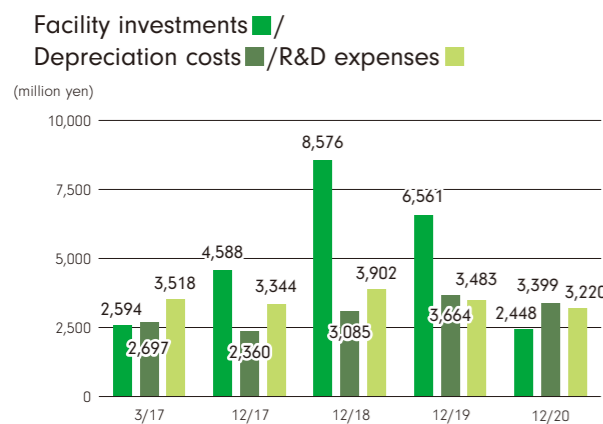
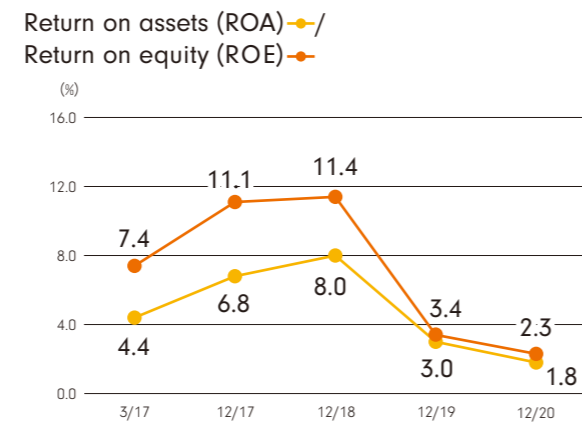
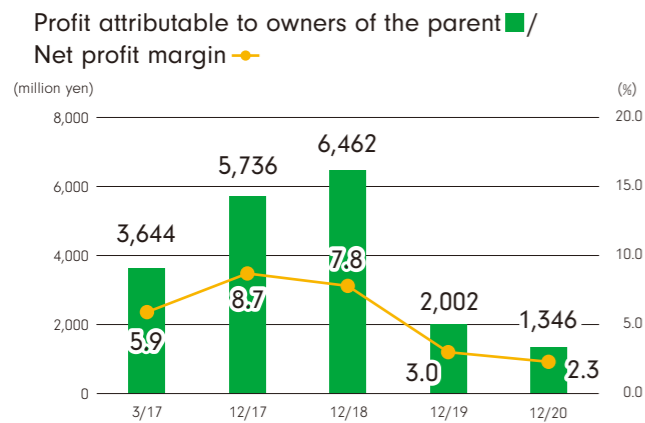
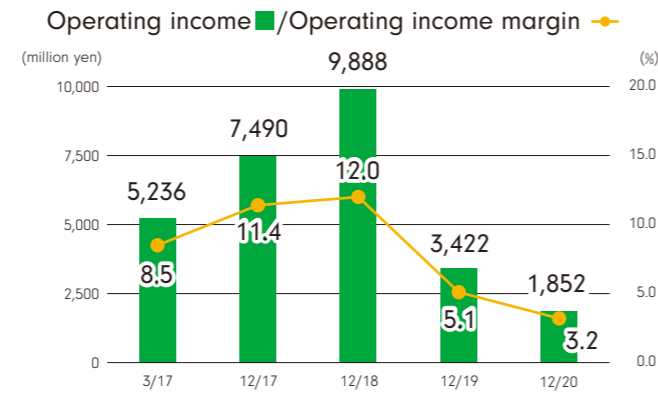
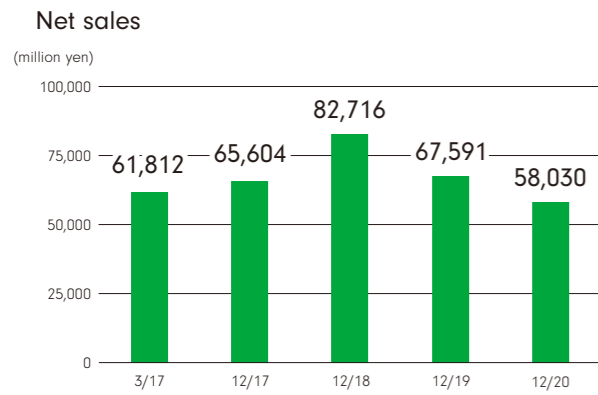
Q 3 What is the policy regarding returns to shareholders?

Our basic policy is to pay a stable and continuous dividend while securing necessary internal reserves for future business development and the strengthening of management structure, targeting a dividend on equity ratio (DOE) of at least 2%. Over the long term, we will work to increase returns to shareholders to a payout ratio level of around 30%, while maintaining DOE at 2% or higher.

We will also flexibly consider cancellations of treasury shares and purchases of treasury shares from the market going forward, while maintaining financial strength at a level consistent with other major competitors and taking into account factors including changes in the operating environment.



Financial Highlights

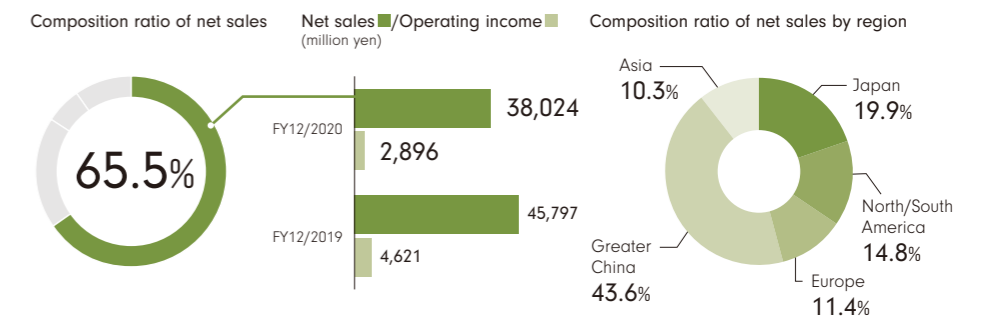


* Due to the fiscal year-end change, FY12/17 consolidated financial results comprise 9 months (from April to December 2017) of results for companies whose fiscal year ends on March 31, and 12 months (from January to December 2017) of results for those whose fiscal year ends on December 31, resulting in irregular settlement of accounts.

At a Glance

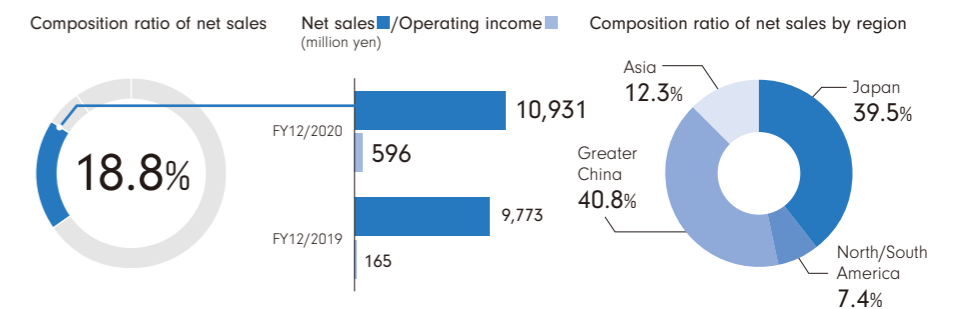
Machine Tool Segment

Net sales declined from the previous fiscal year as the spread of COVID-19 led to the stagnation of business activity in a wide range of industries, resulting in strong trends of product shipments being delayed and facility investments being postponed. Segment income also declined from the previous fiscal year, reflecting a decrease in factory utilization rates associated with lower sales volumes.



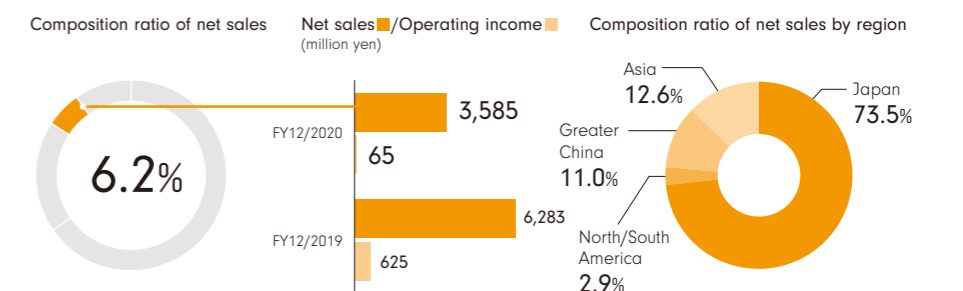
Industrial Machinery Segment

Net sales grew from the previous fiscal year on orders related to 5G smartphones obtained from new customers, primarily in Greater China, as well as next-generation auto-related demand including CASE technologies. Segment income improved significantly on continued sales of products with high added value.



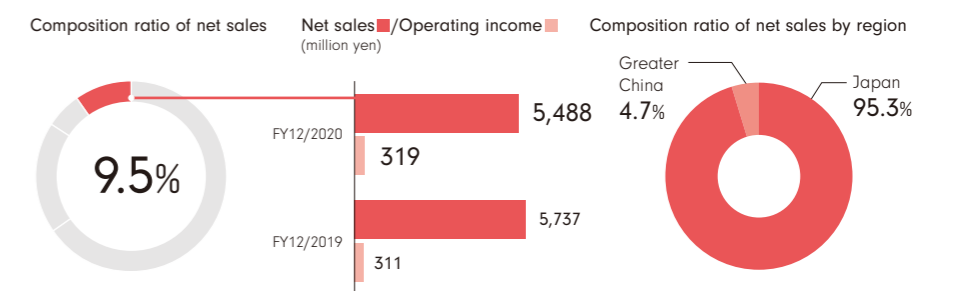
Food Machinery Segment

Despite demand for equipment for hygiene and labor savings as well as demand related to people staying at home in response to government calls to refrain from going out, the spread of COVID-19 caused sales activity to stagnate and orders and sales to be postponed, resulting in a large decline in net sales from the previous fiscal year.



Other Segments

Demand for ceramics grew, reflecting increased demand for information and communications equipment associated with an increase in telework and other responses to the spread of COVID-19. The precision dies and mold operations saw a rebound in demand from the automotive industry.



Strategy of Each Segment

Machine Tool Segment

Sodick offers a wide lineup of products including EDMs, which have a leading share of the global market, precision machining centers, and metal 3D printers. Our products are highly regarded in a variety of fields, including auto-related industries and electronics-related industries such as smartphones.



AL60G, die-sinker EDM using the latest electrical discharge control, electrical discharge circuit, and AI technologies



K4HL, ultra-high-speed small-hole drilling EDM
Winner of the "Main Award" at 2020 Best 10 New Product Awards

- **Main applications**
Mold manufacturing, component machining
- **Main customers**
Automobiles, IT, smartphones, electrical and electronic parts, aerospace, medical equipment, etc.
- **Core products**
Die-sinker EDMs, Wire-cut EDMs, Small-hole drilling EDMs, Metal 3D printers, Precision machining centers, CAD-CAM, Electron beam

- Opportunities**
- Changes in the automotive and aerospace industries (autonomous driving/EV/electrification, lighter-weight components, employment of new materials, etc.)
 - Expansion of communications network (5G, big data, highly functional smartphones, etc.)
 - Growth in demand for high-precision processing equipment as manufacturing becomes more sophisticated
 - Rise in labor-saving and automation requirements

- Risks**
- Maturation of EDM market
 - Fluctuations in demand from changes in economic environment
 - Prolonged COVID-19 pandemic



Management resources

Accumulating core technologies as a pioneer in EDMs Large share in five main markets, and continuing to grow

From product design using CAD-CAM to mold processing and component machining using EDMs and machining centers, and molded parts using injection molding machines, Sodick provides total support for customers' manufacturing processes. Our main NC EDMs achieve levels of processing accuracy, speed, and quality that are among the highest in the world, and taking advantage of our strength in manufacturing detailed, complex molds are used by a wide range of industries including automobiles, electronic equipment, aerospace, and medical equipment. As a manufacturer with a top-tier global market share, we have one plant in Thailand and two in China, and a sales network with locations in 13 countries spread across North America, Europe, China, and the rest of Asia.

Business strategies

Expanding business fields by cultivating product groups to support new growth, while promoting growth in core businesses

The main customer group is the automotive industry, where moves to address CASE and MaaS and use fuel sources other than gasoline are accelerating. The move toward EVs means a significant increase in the use of electric components, which is increasing demand for parts that are lighter, more precise, and more complicated. We see these as areas where we can demonstrate our strengths, and are aiming to develop new main products that will soon follow EDMs as drivers of new growth.

We also see increasing demand for more advanced systems and DX for advances in AI and IoT, and the spread of 5G networks, as opportunities for business growth. We are making proactive investment in R&D and using Sodick IoT and other information technologies to expand our solutions services menu to contribute to the resolution of customers' issues.

*CASE: Connected, Autonomous, Shared/Service, Electric
*MaaS: Mobility as a Service

Review of the fiscal year ended December 2020 and measures going forward

Although sales and profit declined on the effect of the global recession caused by the pandemic, performance rebounded in the fourth quarter

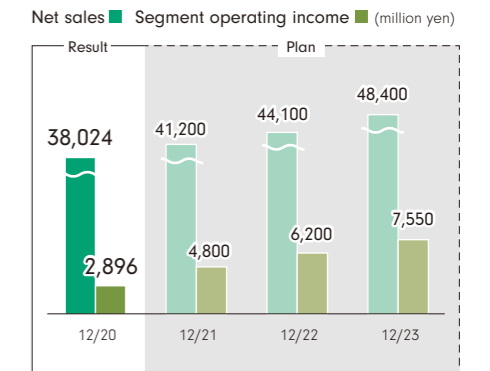
The global spread of COVID-19 led to delays in product shipments and postponed facility investments in a wide range of industries including automobiles, electronic equipment, and aerospace. Demand related to 5G networks and semiconductors in China has been recovering since March 2020, and a pickup was seen in regions other than China in the fourth quarter, but plant profitability declined due to lower sales and production volumes. As a result, segment net sales declined 17.0% from the previous fiscal year, to 38,024 million yen, and operating income was 1,724 million yen lower, to 2,896 million yen.

In terms of development, we released the AL i Groove Edition series, the world's first wire-cut EDM equipped with a "wire rotation mechanism" with superior machining, resource conservation, stability, and automation, and the K4HL ultra-high-speed small-hole drilling EDM that can be used to drill holes of differing diameters continuously processing over extended periods with high speed, high precision, and high quality. The K4HL won the "Main Award" at the 2020 (63rd) Best 10 New Product Awards, organized by the Nikkan Kogyo Shimbun.

Strengthening development of metal 3D printers and precision machining centers, and of ability to provide customers with total solutions

Our technological development focused on enhancing the functionality and the operability of EDMs, raising the performance of metal 3D printers, and developing precision machining centers. As for our sales strategy, we will strengthen our ability to provide solutions by offering comprehensive services, while also implementing digital marketing and strengthening our after-sales services business to reinforce our structure in growing markets. In terms of production, we are continuing to optimize our production structure while also proactively using IoT and other information technologies.

Three-year targets under medium-term management plan



Industrial Machinery Segment

In the industrial machinery segment, Sodick manufactures and sells injection molding machines that are environmentally sound and make effective use of plastics and other resources. Plastic components are found in many everyday consumer products due to their light weight and multi-functionality, including electrical and electronic parts, automobiles, and medical equipment.



MS150, an eV-LINE electric horizontal injection molding machine



TR40VRE, a vertical injection molding machine

➤ Main applications

Manufacturing of plastic components and other difficult-to-machine materials, special materials, light metal components, etc.

➤ Main customers

Automobiles, IT, smartphones, electrical and electronic parts, medical equipment, etc.

➤ Core products

Horizontal injection molding machines, Vertical injection molding machines, Light metal alloy injection molding machines, Injection molding production automation systems, Quality and production management software

Opportunities

- Changes in the automotive industry (shift to lighter components/electrification, entry of competitors from other sectors, employment of new materials, etc.)
- Expansion of communications network (5G, big data, highly functional smartphones, etc.)
- Growth in demand for high-precision processing equipment as manufacturing becomes more sophisticated
- Addressing environmental regulations as environmental concerns increase (e.g., biodegradable plastics)
- Rise in labor-saving and automation requirements

Risks

- Intensified price competition in injection molding machine market
- Fluctuations in demand from changes in economic environment
- Prolonged COVID-19 pandemic



Management resources

Expanding production and sales structures in all regions to increase V-LINE® injection molding machines' global market share

The industrial machinery segment is building a global development system for V-LINE® injection molding machines, which boast stability and precision when molding technologically difficult materials and items, to respond quickly to customers' increasingly diverse requests. We are also expanding proprietary technologies in biodegradable resin molding (INFILT-V) and in rubber molding (a stuffer box with a deaeration function), as well as light metal injection molding machines that are environmentally and worker friendly and are suited for high-precision die-cast molded parts.

Business strategies

Increasing sales volume and market share to become a leading company in high-precision injection molding machines

We are working to increase our market share by introducing our unique V-LINE® injection molding machines and light metal injection molding machines in markets related to mobile telecommunications, including 5G telecommunications, such as smartphone-related areas, and support for autonomous driving. In addition to production structure for our plants in Kaga and Thailand, we are also addressing the Chinese market, our largest customer base, with the vertical launch of a production line at our Amoy Plant in Xiamen, which will reduce costs and our environmental impact through local production for local use.

- Increase the ratio of overseas sales to 70% or higher
Strengthen sales structure in Europe, India, and other growing markets. Realign marketing structure in China and the rest of Asia. Expand the MS Series of fully electric injection molding machines
- Increase sales of light metal injection molding machines (expand product lineup, enhance ease of maintenance)
- Enhance preventive maintenance and status management solution capabilities through use of the automated production system "ICF-V", IoT, and AI
- Strengthen sales competitiveness by raising the overseas sales ratio, reducing costs through the use of common parts, etc.

Review of the fiscal year ended December 2020 and measures going forward

Stronger marketing in Greater China captured demand for 5G smartphones and CASE, leading to sales and profit growth

Although economic activity remained limited from the effect of the global spread of COVID-19, we were able to obtain 5G smartphone-related orders from new customers, primarily in Greater China, and with demand related to CASE and other next-generation automobiles, segment net sales rose 11.8% from the previous fiscal year, to 10,931 million yen, and operating income was 431 million yen higher, at 596 million yen.

In terms of technologies, at IPF 2020 Online, we launched the environmentally friendly AI-VENT (vent-up suppression function), INFILT-V (inert gas dissolution injection molding system), and NRPs (nitrogen rich-gas plasticization system), as well as the TR40VRE2, a vertical rotary injection molding machine with a low-floor structure, larger mounted mold plane size, and increased table rotation time.

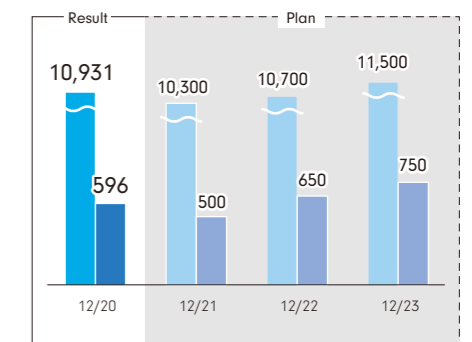
Assuming continuation of the COVID-19 pandemic, business development in the fiscal year ending December 2021 will make maximum use of remote and virtual exhibitions to increase sales

We aim to acquire new users in overseas markets by making proactive appeals to customers through virtual exhibitions and presentations using remote telecommunications and YouTube.

We are also stepping up our efforts to facilitate ease of prompt maintenance for light metal injection molding machines.

Three-year targets under medium-term management plan

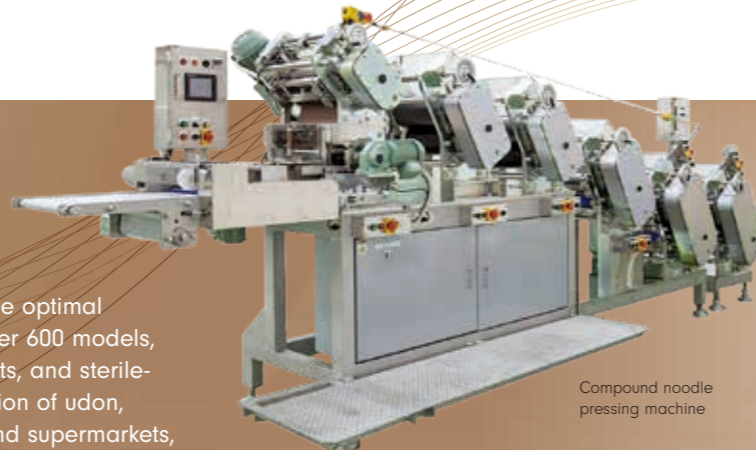
Net sales ■ Segment operating income ■ (million yen)



Sodick World Tour online exhibition at the IPF Web Exhibition

Food Machinery Segment

The food machinery segment supplies customers with the optimal food processing equipment from among its lineup of over 600 models, including noodle-making machines, noodle boiling plants, and sterile-packed cooked rice production systems, for the production of udon, soba and ramen noodles sold by convenience stores and supermarkets, among others. We also contribute to the creation of a safe and secure, healthy and delicious food culture.



- **Main applications**
Uncooked noodles (udon, soba, Chinese noodles, etc.), frozen noodles, long shelf-life noodles, sterile-packed cooked rice, confectionery, Japanese-style deli dishes
- **Main customers**
Leading food manufacturers, restaurant chains, frozen food manufacturers, etc.
- **Core products**
Noodle-making machines, Automatic noodle boiling/steaming/sterilizing systems, Sterile-packed cooked rice production systems, Equipment for preparing Japanese-style deli dishes

- Opportunities**
- Increasing popularity of Japanese food overseas (Japanese convenience stores' overseas expansion)
 - Growing ready-made meal market in Japan
 - Increased consumption of packed rice in daily life
 - Rise in automation and labor-saving requirements at production sites
 - Further improvement of food hygiene management/safety
 - Increased demand for high-quality cooked noodles

- Risks**
- Business weighted toward noodles and cooked rice segments of domestic food market
 - Delays in sales activities and postponement of facility investments from the spread of COVID-19
 - Opportunity loss from insufficient production capacity



Management resources

Providing total noodle-making and cooked rice production lines, which respond to high demand from Japanese food manufacturers

The food machinery segment is engaged in the development, manufacturing, sales, and maintenance services for various types of equipment including noodle-making machines, noodle production plants, and sterile-packed cooked rice production systems. Our business has the major strength of being able to provide total production lines to food manufacturers in Japan who have a high degree of sensitivity with regard to flavor and food safety and hygiene. In June 2016 we completed construction of a new food machinery plant at the Kaga Office. In a research center at this plant, in addition to developing machinery with high productivity, we are carrying out scientific analyses on noodles, rice, and other ingredients in the pursuit of production technologies that achieve flavor other companies cannot match.

Business strategies

Strengthening our overseas development, production, and sales structures to become a global food machinery manufacturer

With living standards rising, consumers in China and the rest of Asia are seeking higher quality food products. We have set up a sales company in Shanghai as a base for our market development in anticipation of growth in sales of chilled noodles in supermarkets and convenience stores as the development of chilled logistics infrastructure is expected to build in the future. Targeting primarily leading food manufacturers, we aim to grow the business by addressing demand for production machinery that achieves automation and labor savings.

We are also accelerating our product development for the ready-made meal market with a view to expanding into food segments other than noodle-making machines and cooked rice production systems, including confectioneries, Japanese-style deli dishes, processed vegetables, and breads. In line with these strategies, we are working to increase production capacity at the Amoy Plant in Xiamen, China to build a solid supply structure for the Chinese and other Asian markets.

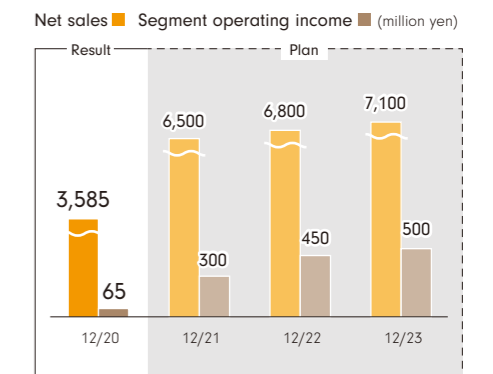
Review of the fiscal year ended December 2020 and measures going forward

Although sales and profit declined on unavoidable COVID-19-related stagnation in orders, business environment showing a solid recovery

In addition to equipment to address hygiene and labor savings, projects related to demand driven by people refraining from going out and staying at home grew, but with COVID-19-related restrictions on overseas travel limiting marketing activities, activities to win orders were postponed and the timing of expected orders was delayed. In addition, large projects in the previous fiscal year led to a significant decline in net sales, but the business environment remains solid and inquiries and negotiations are emerging, and we expect a recovery going forward. As a result, segment net sales declined 42.9% from the previous fiscal year, to 3,585 million yen, and operating income was 559 million yen lower, at 65 million yen.

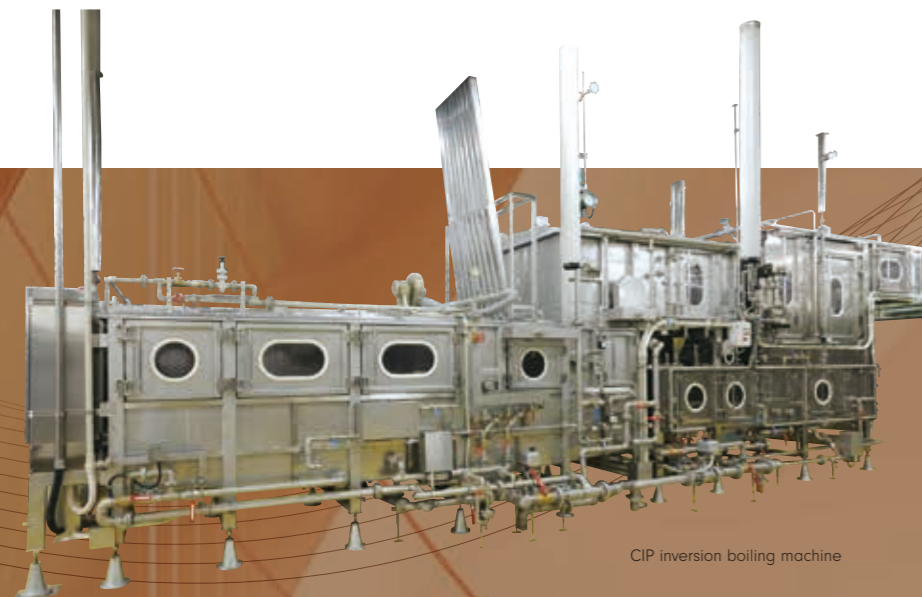
In terms of development, we released TM-350W, a large double shaft mixer for high-quality instant noodles and chilled noodles.

Three-year targets under medium-term management plan

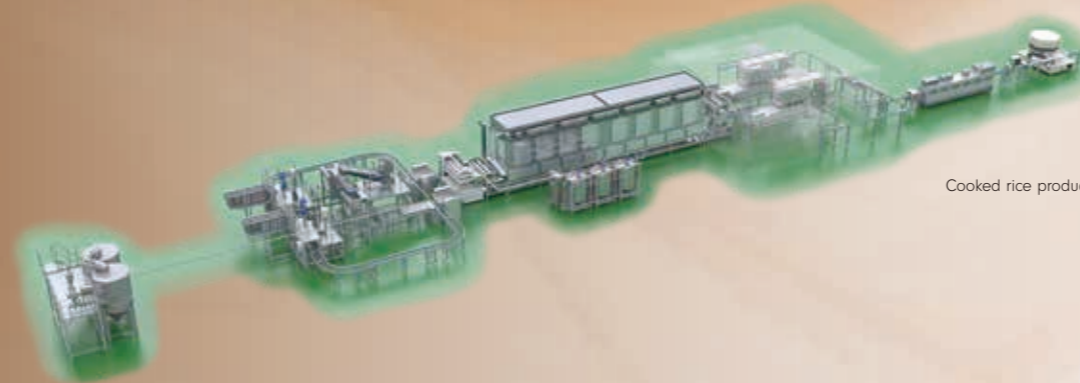


Anticipating growth in demand, production capacity increase at Amoy Plant in Xiamen complete and all business development being simultaneously accelerated

Previously, Sodick's food machinery was primarily manufactured at the Kaga Plant with manufacturing at the Amoy Plant in Xiamen limited to certain products, which led to an issue of insufficient production capacity. We see the market environment remaining solid going forward, and looking to develop segments other than noodles and cooked rice, we believe we will be able to accelerate all of our business development simultaneously by starting full-scale operations and increasing production capacity with a food machinery production line at the new plant in Xiamen. Accordingly, we will also increase our staffing in areas including manufacturing and after-sales services.



CIP inversion boiling machine



Cooked rice production line



Tray feeder

Facility investments

The food machinery business is supporting the Sodick Group's further growth. Using proactive investment for successive strengthening of development, production, and sales functions

● Establishment of new food machinery plant at Kaga Office (2016)

Sodick established a new plant for food machinery at the Kaga Office in June 2016, and by consolidating all operations from research and development to product manufacturing to a single location, has improved efficiency and increased production capacity. In addition to our traditional main products including noodle-making machines, noodle production plants, and milling machinery, we are developing and manufacturing peripheral equipment for noodle-making machines to meet growing demand for high-quality cooked noodles sold in places like convenience stores and for labor savings. Furthermore, by providing design, prototype manufacturing, and mass-production lines that apply those technologies, we are contributing to a flavor revolution in "noodles."



New food machinery plant at Kaga Office

● Establishment of new food machinery sales company in Shanghai, China (2019)

Similar to Japan, China in recent years has seen convenience stores increase their presence, and demand for boiled noodles (frozen, long-life, and cooked noodles) has been rapidly increasing. At the same time, with labor costs rising, demand has been growing for automated lines that can handle mass production. We therefore set up Sodick Tom (Shanghai) Co., Ltd. as a new sales company in July 2019 to increase the popularity and value of the Sodick brand name, and accelerate sales of food machinery, in China and ASEAN countries experiencing remarkable growth. Full-scale business operations commenced in September. In addition to the sales function, the company has an engineering function to provide total support from design, implementation and installation, to maintenance.



Automatic noodle boiling system

● Increase in production capacity at the Amoy Plant in Xiamen, China

The plan for the new food machinery plant to be built at the Amoy Plant in Xiamen is to manufacture sterilizing systems and automated boiling water cleaning systems in addition to the noodle-making machines it already produces. Future plans also include the manufacturing of sterile-packed cooked rice production systems.

The new plant will have an area for specialty manufacturing of stainless-steel cans, and equipment including laser processors and press brakes, to allow for integrated production from component manufacturing to assembly within the plant.

Developed products

Using Japanese advanced food technologies to create "flavor as good as locally produced." Expanding the Sodick brand product lineup



TM-350W, large double shaft mixer

Target markets High-quality instant noodles, chilled noodles

This large mixer can be used for kneading processes for products like high-quality instant noodles and chilled noodles. Stirring the dough with two shafts increases the kneading function, and one cycle can use 350 kilograms of flour to produce a large volume. The seals on the beaters use proprietary technologies to keep the flour from penetrating and allow for the inside of the drum to be washed, as well as making it possible for a vacuum to be maintained inside the drum for long periods of time.

Automated peeler

Target market Salad market

With the unique features of passing root vegetables through saturation vapor at more than 100°C and large condensation latent heat, the outer skins of root vegetables are sterilized and become loose, making it possible to peel off precisely only the thin skin. This keeps the original form of vegetables and drastically increases the yield of edible parts, and we expect this to be used for a variety of foods including potatoes, carrots, and burdock root. This peeler can handle the equivalent of 150 kilograms of vegetables per hour, but can be modified for use on lines handling up to roughly two tons per hour depending on the needs.



Granule powder cooling system

Target markets Noodles, breads, confectionaries

This equipment cools the flour used as an ingredient in products like noodles, confectionaries, and bread prior to production. Flour at food plants is usually stored in silos where temperatures can become high, and this damages the product quality and productivity. This equipment uses a vacuum for uniform cooling of the flour, reducing the cooling cost, and can cool 350 kilograms to 15°C in roughly 30 minutes.



Pressure sterilizing system

Target markets Japanese-style deli dishes (retort pouches), confectionaries, food products in general

Using saturation vapor heated to more than 100°C, food ingredients are sterilized in a very short period of time. This also extends the shelf life, contributing to the reduction of food waste. In addition to sterilization, this equipment can also be used to suppress unnecessary odors, enhance the sweet flavor of rice, and perform ultrathin peeling to increase the yield of edible raw ingredient.



Other Segments

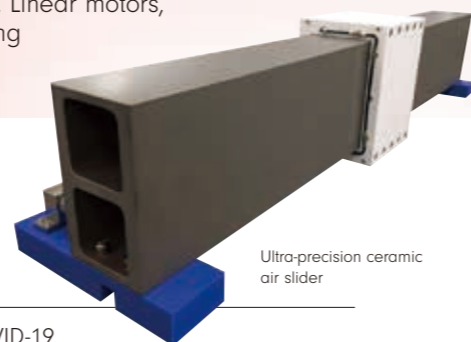
In other segments, Sodick engages in precision dies and mold operations, which produce precision connectors and other built-to-order components for automotive parts manufacturers, and the elemental technology business, which sells linear motors, ceramic products, and other products that have emerged in the course of bringing production in-house.

▶ Main applications

Design and manufacturing of mold, production of plastic molded parts, development, manufacturing, and sale of products that use linear motors, the control devices for these, ceramic products, and LED lighting, etc.

▶ Core products

Ceramics, Linear motors, LED lighting



- Opportunities**
- Changes in the automotive industry (lighter-weight components, electrification, etc.) and continuity of demand
 - Ongoing semiconductor-related demand and demand from semiconductor manufacturing equipment manufacturers

- Risks**
- Curtailed production in the automotive industry from the spread of COVID-19
 - Production adjustments from semiconductor shortages



Management resources

In-house machine tool manufacturing and proprietary technologies give us unrivaled development excellence

Sodick has achieved production system automation from upstream to downstream by linking machine tools and industrial machinery. We have a wide range of products including ceramics, linear motors, and LED lighting that we manufacture in-house using proprietary technologies.

Business strategies

Using the Group's elemental technologies to raise profitability at all businesses

The precision dies and mold operations are aiming to capture demand from the growth of molded items for automobiles, while the external ceramics sales business is targeting the increase in demand for information and communications equipment. We are working to operate the "ICF-V" production system that uses a metal 3D printer and the MR30 dedicated injection molding machine, and to increase production capacity for automation and labor savings, aiming for medium- to long-term business growth.

[Ceramics]

- Increase sales of ceramic components for semiconductor manufacturing equipment
- Increase sales channels to high value-added sectors

[Precision dies and mold]

- Achieve stable production and energy savings with lower costs using cell production systems
- Expand items produced for automotive-related industries

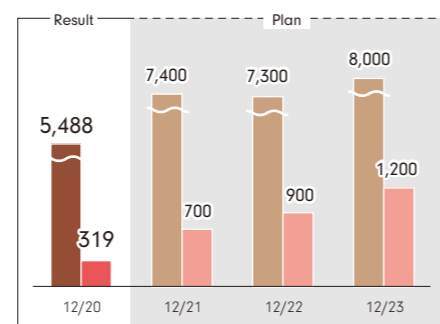
Review of the fiscal year ended December 2020 and measures going forward

Growth of remote work increasing demand for ceramics used in information and communications equipment

Growth in demand for information and communications equipment in response to trends including remote work is increasing demand for ceramics. From the third quarter, the automotive industry has also seen a rebound in demand. As a result, although segment net sales declined 4.3% from the previous fiscal year, to 5,488 million yen, operating income was 8 million yen higher, at 319 million yen. We also developed frames for face shields that prevent the spread of COVID-19, and provided these to medical and public institutions.

Three-year targets under medium-term management plan

Net sales ■ Segment operating income ■ (million yen)



Toward Continuous Growth in the Age of COVID-19

Working as one to create a new Sodick work environment

In the fiscal year ended December 2020, we introduced a variety of measures to maintain business operations during the COVID-19 pandemic. In late January 2020, prior to the government declaring a state of emergency, we set up a task force, and canceled the in-person results briefing scheduled for February as well as our participation in various exhibitions. Internally, we introduced a variety of measures to reduce the risk of infection including working from home, daily health management, flexible shifts in work hours, and ways to address the stress of staying at home.

We had previously introduced working from home and electronic and online operations on a trial basis as part of our efforts to transform work styles, so the transition went relatively smoothly. We are continuing these measures in 2021 with the aim of creating a new, highly productive, work environment.



Sodick's COVID-19 responses

Measures introduced

- Maintenance of appropriate inventory levels in response to production adjustments (adjustment of workdays at Thailand Plant) in line with reduced demand
- Thorough review of supply chains, including reviews of suppliers and strengthening of in-house manufacturing
- Temporary layoffs of all employees in Japan
- Thorough Companywide expense reductions
- Wage reductions at certain Group companies
- Prohibition of business trip (both domestic and overseas) in principle
- Promotion of working from home, off-peak commuting, online meetings, etc.
- Provision of special leave for employees affected by temporary school closings
- Strengthening of sales activities and service structure using online exhibitions, remote tools, etc.
- Thorough maintenance of safety and hygiene (wearing a face mask, body temperature monitoring, alcohol disinfectant, limited cafeteria hours, restrained outside contact, etc.)

* Please see page 47 for more information on our work style reform and DX during the COVID-19 pandemic.

Using metal 3D printers to mass produce face shields in just three months

Considering what Sodick might be able to do as a member of society in response to the threat of COVID-19 infections, we developed frames for face shields using the metal mold technology of our proprietary metal 3D printers.

Sodick has a broad lineup of metal 3D printers that are able to use a laser beam to melt metal powder and perform finished processing in a continuous process. This makes it possible to perform high-precision, high-quality molding for things like optimized plastic mold with built-in cooling pipes and parts with complicated design, which are impossible using conventional cutting-type printers. Our "Face Tech" face shield frames, manufactured with this technology, use the mold's 3D cooling pipe structure to reduce the cooling time by 50% and shorten the time of the molding cycle by 20-50%, allowing for mass production in a short time at an extremely low cost. We also used scrap materials as the molding material to make the products environmentally friendly.

We supplied these frames to our stakeholders, medical and public institutions, and sports facilities and groups.



Sodick President Furukawa presenting face shields to Mr. Ishizuka, Chairperson of the Board of Trustees of Tokyo Denki University, at Sodick's space in the MONOZUKURI Center of the university in Senju, Tokyo

Management Team (As of March 31, 2021)

Directors



Yuji Kaneko
Chairman and Representative Director



Kenichi Furukawa
President and Representative Director



Keisuke Takagi
Vice President and Representative Director
Sales Managing Division



Hideki Tsukamoto
Senior Executive Managing Director
Machine Tools Division and Production
Management Division



Hirofumi Maejima
Executive Managing Director
Corporate Division



Ching-Hwa Huang
Director
Sales Managing Division/South China Area



Katsuhisa Furuta
External Director



Ichiro Inasaki
External Director



Kazunao Kudo
External Director



Kenzo Nonami
External Director

Audit & Supervisory Board Members



Akio Hosaka
Audit & Supervisory Board Member



Yuichi Watanuki
Audit & Supervisory Board Member



Masahiro Shimojo
External Audit & Supervisory Board Member



Takashi Nagashima
External Audit & Supervisory Board Member



Mari Otaki
External Audit & Supervisory Board Member

Composition of Board of Directors and Audit & Supervisory Board

Sodick believes that in order for the Board of Directors to perform its role and duties effectively, it needs to comprise members with sufficient knowledge and experience of business management in their respective fields, whether they come from inside or outside the company. We select candidate directors and Audit & Supervisory

Board Members based on the type of knowledge and experience we consider to be important from a corporate management perspective.

Based on this approach, the directors and Audit & Supervisory Board Members we have appointed as of end-March 2021 are as shown in the table.

Overview of Directors and Audit & Supervisory Board Members (as of end-March 2021)

Director	Status & Committees	Attendance (fiscal year ended Dec. 2020)		Fields of expertise that are particularly expected of directors/auditors*					
		Board of Directors meetings	Audit & Supervisory Board meetings	Law and Risk Management	Finance and Accounting	Corporate Management	Manufacturing/Technology/R&D	Global	Marketing/Sales
Yuji Kaneko	▲ Advisory Committee on Personnel ★ Advisory Committee on Compensation	13/13 times				●	●	●	
Kenichi Furukawa	▲ Advisory Committee on Personnel ★ Advisory Committee on Compensation	13/13 times		●	●	●		●	●
Keisuke Takagi		13/13 times				●		●	●
Hideki Tsukamoto		13/13 times				●	●	●	
Hirofumi Maejima		13/13 times		●	●			●	
Ching-Hwa Huang		13/13 times				●		●	●
Katsuhisa Furuta	■ External ◆ Independent ▲ Advisory Committee on Personnel ★ Advisory Committee on Compensation	13/13 times					●	●	
Ichiro Inasaki	■ External ◆ Independent ▲ Advisory Committee on Personnel ★ Advisory Committee on Compensation	13/13 times					●	●	
Kazunao Kudo	■ External ◆ Independent ▲ Advisory Committee on Personnel ★ Advisory Committee on Compensation	13/13 times				●	●	●	
Kenzo Nonami	■ External ◆ Independent	10/10 times (Note 1)				●	●	●	
Audit & Supervisory Board Member	Status & Committees	Board of Directors meetings	Audit & Supervisory Board meetings	Law and Risk Management	Finance and Accounting	Corporate Management	Manufacturing/Technology/R&D	Global	Marketing/Sales
Akio Hosaka		13/13 times	13/13 times			●	●	●	●
Yuichi Watanuki		13/13 times	13/13 times			●	●	●	●
Masahiro Shimojo	■ External ◆ Independent	13/13 times	13/13 times	●	●			●	
Takashi Nagashima	■ External ◆ Independent	13/13 times	13/13 times	●	●	●			●
Mari Otaki	■ External ◆ Independent	(Note 2)	(Note 2)	●	●				

* Details of the criteria for the independence of external officers are listed on our website. <https://www.sodick.co.jp/en/ir/governance.html>
* The above table does not encompass all of the expertise possessed by the directors.

Note 1: External Director Kenzo Nonami was elected at the Ordinary General Meeting of Shareholders held on March 27, 2020, and 10 Board meetings have been held since he assumed his posts.
Note 2: External Audit & Supervisory Board Member Mari Otaki was elected at the Ordinary General Meeting of Shareholders held on March 30, 2021; no activity applicable in the fiscal year ended December 2020.

Dialogue between External Directors

Ichiro Inasaki External Director

1984 Professor of Keio University Faculty of Science and Engineering
 1998 Visiting Professor of University of California, Berkeley in the U.S.
 1999 Honorary Doctorate of Hannover University in Germany
 2001 Dean of Keio University Science and Engineering College and Chairman of the Science and Engineering Research Department of Keio University Graduate School
 2007 Professor Emeritus of Keio University, Professor of Chubu University, and Director of Institute of Science and Technology Research of Chubu University
 2011 Dean of Chubu University, Specially-appointed Professor thereof, and Director of Chubu Institute for Advanced Studies of Chubu University
 2012 Outside Audit & Supervisory Board Member of Mitsubishi Pencil Co., Ltd.
 2013 Outside Director of DISCO Corporation (current post)
 2015 Professor Emeritus and Director of Chubu University
 2018 External Director of Sodick Co., Ltd. (current post)



Ichiro Inasaki
External Director



Kazunao Kudo
External Director

Kazunao Kudo External Director

1977 Joined Sumitomo Electric Industries, Ltd.
 2001 Production Department Manager of the Electronic Material Business Division of Sumitomo Electric Industries, Ltd.
 2004 Vice President and Director of Suzhou Sumiden Automotive Wire Co., Ltd.
 2007 President and Director of Suzhou Sumiden Automotive Wire Co., Ltd.
 2008 Executive Officer of Sumitomo Wiring Systems, Ltd.
 2015 China Supreme Adviser of Suzhou Sumiden Automotive Wire Co., Ltd.
 2016 Senior Adviser of Qingdao Kyungshin Electronic Co., Ltd.
 2018 External Director of Sodick Co., Ltd. (current post),
 Outside Director of SHIBAURA ELECTRONICS CO., LTD. (current post)

Theme

We are working to develop human resources and strengthen for the further enhancement of corporate value.

Roles as external directors

Kudo: I have worked in the manufacturing industry for roughly 40 years, primarily in the field of manufacturing technologies, and in 2004 I took up a posting to China, where I was responsible for establishing a company and made it a company with 8,000 employees. Sodick is also a manufacturer with very high portions of overseas sales and production, so I am able to offer advice to the Board of Directors based on my own experience. Sodick needs to increase its overseas investment in “people, goods, and money,” and in addition to the production capacity increase currently underway at the Amoy Plant in Xiamen, China, I expect that how we address the Indian market, where growth through local production for local consumption is forecast, will be a major key.

Contributing to society through technological development and sincerely addressing ESG issues will lead to enhanced corporate value.

Inasaki: My background is in education and research in production technologies at the university and graduate school level, rather than in corporate management. I therefore consider my important function to be to maintain objectivity so that the course of Sodick’s technological development continues on a correct path for the enhancement of corporate value over the medium to long term, and to advise the Board of Directors accordingly. I consider the role of an external director to be to ensure management’s impartiality from the standpoint of general shareholders, to offer advice, and not to be shy about pointing out things that may be inappropriate. I told the Board of Directors that to fulfill this role, it is important to have opportunities to interact with the full-time officers and to understand the Company’s internal operations. Immediately, they set up opportunities to exchange opinions with the Audit & Supervisory Board Members, receive technological development briefings from various divisions, and visit plants. After that, I had some ideas regarding Sodick’s technological development, and I held seminars for technicians where we could identify and analyze issues related to Sodick’s manufacturing technology.

Board of Directors meetings have many lively discussions from a medium- to long-term perspective

Inasaki: Sodick’s Board of Directors meetings have an atmosphere that makes it easy for both external officers and internal officers to speak up, and everyone is active in expressing their opinions. The Board is working especially hard to set up a governance framework.

Kudo: During the past year in particular, there was much discussion as we searched for ways to address COVID-19. At the same time, we also discussed our vision for the future and medium- to long-term business development. The effects of COVID-19 have not necessarily all been adverse, because it gave us an opportunity to reevaluate

corporate governance from a broad perspective,

our business direction, to move sales activities and trade exhibitions online, and also to use the internet for start-up maintenance after equipment had been delivered. In manufacturing as well, we proactively reviewed things like test processes for product development and new production methods, and I believe this will prove to be a good opportunity to establish a new manufacturing structure. Sodick is at heart a company with strengths in new technologies and new development, so I look forward to seeing what technologies we will provide as the world faces this crisis.

Inasaki: I agree. Today, Sodick is emphasizing the introduction of IoT, and IoT technologies are extremely useful to respond to emergencies, enhance our business continuity management and business continuity plan. In addition, the use of online remote monitoring of machinery equipment we have delivered to customers will make it possible to increase the speed of our maintenance services, which are another of Sodick’s strengths. I believe it is important to increase Sodick’s fan base using the trust we have built up through the combination of initiatives like maintenance services and human services.

Human resource development is a major management issue

Kudo: A basic fundamental for a manufacturing company is that manufacturing is about developing people. Other countries have various resources, but Japan only has human resources. How to cultivate and increase the value of that resource is the most important issue, and I believe that the more importance a company places on its people, the more sustainable it will be and that its corporate value will increase over the long term. Sodick’s founding philosophy is “We create it if it does not exist,” and for Sodick to grow, it is essential that we cultivate human resources that thoroughly take this to heart.

Inasaki: Yes, human resource development is not simply using training to teach people technologies and skills. It is very important for employees to approach their work with a sense of motivation, and I believe this has a strong relationship to the direction of technological development. Rather than developing superior products, however, it is very important to cultivate human resources that are motivated to contribute to society by using developed products and technologies to help resolve issues that society faces. A company cultivating human resources who are able to contribute to society is the same thing as a company making profit and returning it to society. I believe this will be Sodick’s most important task going forward.

COVID-19 is an opportunity to reevaluate processes. Because Sodick’s strengths are in new technologies and new development, we will be able to provide new value.

Corporate Governance

Corporate Governance Structure and Features

Sodick believes that an audit system incorporating External Audit & Supervisory Board Members is an effective form of management supervision and serves to enhance the efficacy of corporate governance. Sodick therefore adopts the “Company with an Audit & Supervisory Board” system. The Board of Directors includes four internal directors with extensive knowledge of the fast-changing industry and Sodick internal affairs, who also serve as executive officers, as well as six non-executive directors (two representative directors, four external directors). This system ensures that the executive directors supervise the execution of business in an effective manner while providing wide-ranging

advice.

Sodick has adopted an executive officer system to realize corporate management that is both responsive and highly efficient. The Board of Directors entrusts the execution of business to executive officers based on the management organization and segregation of duties.

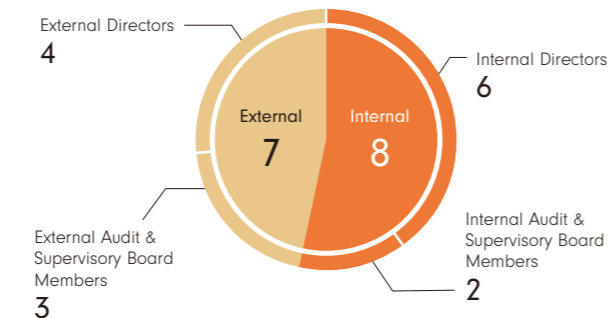
To supplement the functions of the Board of Directors, Sodick has established Advisory Committees on Personnel and Compensation whose members may include External Directors on an optional basis. This has increased the transparency of decision-making and ensures that directors’ remuneration is appropriate.

Strengthening Management Supervisory Functions

Four of Sodick’s 10 directors are external directors. They apply their objective perspectives and wealth of knowledge and experience to management, thereby strengthening the corporate governance structure. Furthermore, three of the five Audit & Supervisory Board Members are external auditors, increasing the objectiveness and fairness of management supervision.

Prior to meetings of the Board of Directors, the external directors and external auditors issue written reports to the Board incorporating any necessary information and items to be determined or investigated by the Board. The external Audit & Supervisory Board Members also convene regular monthly meetings of

the Audit & Supervisory Board, which are attended by all auditors, where they exchange a wide range of information and opinions.



History of Initiatives to Strengthen Corporate Governance

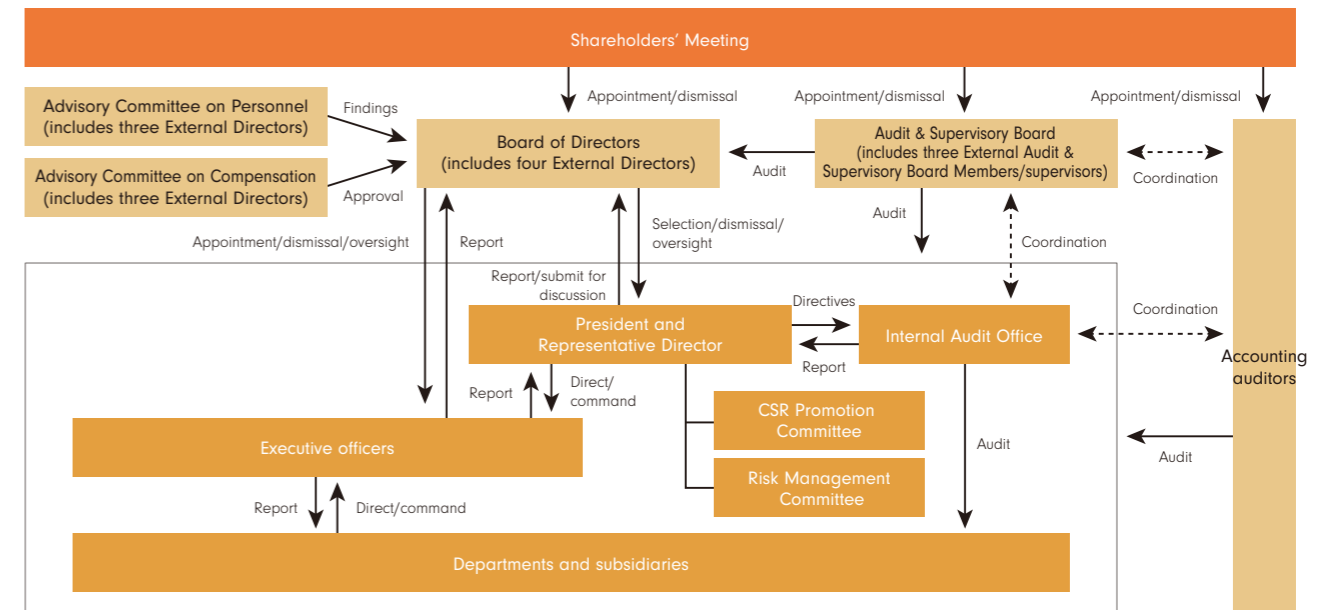
2012	● Introduction of executive officer system
2014	● Election of one external director
2015	● Compliance with the Corporate Governance Code ● Addition of one external director (total of 2 persons) ● Establishment of Advisory Committees on Personnel and Compensation
2016	● Evaluation of the effectiveness of the Board of Directors carried out ● Addition of one external director (total of 3 persons)
2018	● Compliance with the revised Corporate Governance Code ● Addition of one external director (total of 4 persons)
2019	● Election of a female director
2020	● Reviewed number of members in Advisory Committee on Personnel and Advisory Committee on Compensation (two internal directors and three external directors)
2021	● Election of a female Audit & Supervisory Board Member

Corporate Governance Structure (as of end-March 2021)

Organizational Plan	Company with an Audit & Supervisory Board
Directors	10 Directors* ¹ (of which 4 are external directors) Chair of Board of Directors: President
Audit & Supervisory Board Members	5 Audit & Supervisory Board Members* ² (of which 3 are external auditors)
Term of Appointment for Directors per the Articles of Incorporation	2 years
Company with Executive Officer System	Yes
Optional Advisory Committees of Board of Directors	Advisory Committee on Personnel Advisory Committee on Compensation
Accounting Auditors	Grant Thornton Taiyo LLC
Corporate Governance Report* ³	https://www.sodick.co.jp/en/ir/governance.html (only available in Japanese)

*1 The Articles of Incorporation state that the number of directors shall be not more than 15.
*2 The Articles of Incorporation state that the number of Audit & Supervisory Board Members shall be not more than 5.
*3 For information about compliance with the Corporate Governance Code, please refer to our website.

Diagram of Sodick Corporate Governance Structure (as of end-March 2021)



Board of Directors

- Performs a supervisory function over decision-making on important issues and management in general as stipulated in the Board of Directors Regulations, including setting basic policy on management and appointing executive officers.
- Regular meetings of the Board of Directors take place once per month, and when necessary the Board also convenes extraordinary meetings.
- The Board is comprised of 10 directors who supervise management and make important management decisions. They include three internal directors who are not serving as executive officers, three directors who are also serving as executive officers, and four external directors.
- The provision of opinions, advice, and cross-checking by external directors serves to improve and revitalize the transparency and credibility of the Board of Directors while also strengthening its management supervision functions.
- Business meetings, joint technical meetings, quality control meetings, and business report meetings may be held to broaden and deepen understanding of the company and manage it effectively. Directors attend these meetings in order to ensure that decisions on basic and important items related to the execution of business are taken flexibly.

Audit & Supervisory Board

- The Audit & Supervisory Board is comprised of five Audit & Supervisory Board Members, three of whom are external auditors.
- The function of the Audit & Supervisory Board is to supervise management from an external perspective. It determines policies on auditing and the assignment of duties, and receives reports on the implementation and results of audit from the auditors. In addition, it

receives reports from directors and accounting auditors on the state of execution of their duties, and requests explanations thereof as necessary.

Advisory Committee on Personnel

This committee formulates appointment criteria and policies regarding personnel matters involving directors, Audit & Supervisory Board Members, and executive officers; selects candidates for those positions, and determines the standards for dismissal. The Advisory Committee on Personnel is comprised of five directors, three of whom are external directors.

Members	President Furukawa (Chair)* Chairman Kaneko External Director Furuta External Director Inasaki External Director Kudo
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Advisory Committee on Compensation

This committee formulates policy on compensation for directors and executive officers, and deliberates over compensation standards, appraisals, and the monetary amounts of compensation. The Advisory Committee on Compensation is comprised of five directors, three of whom are external directors.

Members	President Furukawa (Chair)* Chairman Kaneko External Director Furuta External Director Inasaki External Director Kudo
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* President Furukawa is the Chair of both the Advisory Committee on Personnel and the Advisory Committee on Compensation, but objectivity and fairness are ensured by the fact that the majority of directors are external directors.

Evaluating the Effectiveness of the Board of Directors

Every fiscal year, all directors perform a self-evaluation regarding the extent to which they have fulfilled their professional duties. This is carried out to verify that Sodick's Board of Directors is performing its professional duties in accordance with our guidelines, in order to boost the effectiveness of

corporate governance.

The Audit & Supervisory Board Members analyze and evaluate the overall effectiveness of the Board of Directors based on each director's self-evaluation, and disclose the result.

Method of Analysis and Evaluation

Self-Evaluation	Compilation & Evaluation	Discussion on Enhancing Effectiveness
A self-evaluation questionnaire is completed by all directors	Effectiveness of Board of Directors is analyzed and deliberated at Audit & Supervisory Board meetings	The criteria for agenda items are reviewed to further improve deliberations and enhance Board's supervisory functions
Main Content of Questionnaire <ul style="list-style-type: none"> Role and duties of Board of Directors Composition of Board of Directors Supervision by Board of Directors Support structure for Board directors Matters concerning external directors 	Fiscal Year ended Dec. 2020 Evaluation Results The evaluation found that the Board of Directors was functioning properly in regard to its overall effectiveness, including the status of operation, status of deliberation, and management and supervisory functions.	Fiscal Year ending Dec. 2021 Management Policy To further improve deliberations and enhance the Board's supervisory functions, we will continue to review the way it operates, including agenda items and report items.

	Results for year ended December 2020	Issues for year ending December 2021
Overall effectiveness	<ul style="list-style-type: none"> Sharing of dialogue with investors Review of criteria for agenda items Explanation of future plans from each division 	<ul style="list-style-type: none"> Shortening business reports Enhancing discussions concerning risk assessment Enhancing discussions concerning capital cost
External officer	<ul style="list-style-type: none"> Giving a prior presentation of agenda items to external directors and external auditors 	<ul style="list-style-type: none"> Domestic and overseas plant tours for external officers Earlier provision of materials to external officers Increasing frequency of opinion exchange between external directors and the Audit & Supervisory Board

Training for the Board of Directors and Audit & Supervisory Board

Sodick implements the following in order to ensure that its directors and Audit & Supervisory Board Members are able to perform their functions and roles appropriately.

- Newly appointed directors and auditors take part in training provided by the Japan Audit & Supervisory Board Members Association.
- Independent external directors and independent external auditors are kept informed about Sodick's business activities and visit key business sites, etc., and are also updated on our business strategies where appropriate.
- Other directors, auditors, and executive officers also

acquire the knowledge needed to enhance corporate value, and learn about the approaches taken to this, through methods such as e-learning provided by the Tokyo Stock Exchange.

Opportunities are provided for executive officers and others to participate in management, such as through business report meetings, in order to cultivate successor personnel. In addition, we implement initiatives aimed at developing human resources at the executive management level, including training for executive managers covering areas such as drawing up long-term business strategies.

Officer Compensation

Basic Policy on Officer Compensation

- Compensation for Directors is based on a compensation system that reflects job position and results while ensuring linkage to company performance, taking into consideration the management issues of sustainable growth and medium- to long-term corporate value enhancement.
- Compensation for external directors and auditors is based on a compensation system that is not affected by company performance, thereby ensuring independence from management.

Structure of Officer Compensation

	Basic compensation	Performance-related compensation	
		Short-term performance-related compensation	Non-monetary compensation
Role	Fixed compensation	Short-term incentive	Medium- to long-term incentive
Recipient	Director/Audit & Supervisory Board Member	Director (excluding External Director)	Director (excluding External Director)
Type of payment	Cash	Cash	Stock
Performance indicator	—	Profit	3-year average EBITDA
Means of payment	Make a monetary payment every month	Make a monetary payment every month	Provide a monetary compensation receivable (Allocate stock with restriction on transfer allocated from treasury shares according to the amount of the receivable)

Policy for Deciding the Details of Individual Compensation for Directors

1. How the policy for deciding the details of individual compensation for directors is determined
 The Advisory Committee on Compensation consulted on a draft of the policy for deciding the details of individual compensation for directors (the "Decision Policy"), in order to build a compensation system that fully incentivizes the continuous increase of corporate value and is linked to shareholder profits, while also being based on the medium-term management plan. Subsequently, the Decision Policy was adopted by the Board of Directors held on January 22, 2021, based on consultations with the Committee.

2. Overview of Decision Policy

- Basic compensation (monetary compensation) is determined in accordance with the individual's position and the duties they supervise.
- Policies for deciding the details and method for calculating the amount/number of performance-related compensation and non-monetary compensation are shown in Structure of Officer Compensation on the left.
- The Advisory Committee on Compensation determines the items to be decided regarding the details of individual compensation for directors.

3. Reason why the Board of Directors determined that the details of individual compensation for directors in the fiscal year ended December 2020 is in accordance with Decision Policy

The Advisory Committee on Compensation conducted a multifaceted study of the draft on determining the details of individual compensation for directors, including its consistency with the Decision Policy. Respecting the report from the Committee, the Board of Directors determined that it was in accordance with the Decision Policy.

Details for Officer Compensation (Fiscal Year ended December 2020)

Officer category	Total compensation	Total compensation by type (million yen)			Number of eligible officers
		Basic compensation	Short-term performance-related compensation	Non-monetary compensation, etc.	
Director (excluding External Director)	246	193	3	50	8
Audit & Supervisory Board Member (excluding External Auditor)	32	32	—	—	2
External Officer	47	47	—	—	8
Total	326	272	3	50	18

Risk Management

Basic Approach

Sodick has established basic rules for risk management, and works to determine, analyze, evaluate, and take appropriate measures to avoid the risks that exist at each division. At the same time, a Risk Management Committee has been established to formulate necessary preemptive response policies to prepare for the occurrence or potential

occurrence of unforeseen situations that would have a major impact on management, and to respond appropriately and as needed in the event a situation were to occur.

Sodick recognizes the following as the primary risks with the potential to have a major impact on the Company's business performance and/or financial position.

- Risks related to economic fluctuations
- Risks related to new businesses
- Risks related to securing and developing human resources
- Risks from major fluctuations in foreign exchange rates
- Risks at overseas businesses
- Legal and regulatory risks
- Information security risks
- Risks related to corporate social responsibility
- Risks related to the competitive environment
- Risks related to prices and procurement of raw materials
- Risks related to natural and other disasters
- Risks related to interest-bearing debt
- Impairment risks related to non-current assets
- Risks associated with the spread of COVID-19

➤ Risks Related to Economic Fluctuations

Likelihood of occurrence: High Degree of impact: Major

■ Sodick's response

The Sodick Group is working to reduce risks related to economic fluctuations by expanding the food machinery segment and other businesses that are relatively less affected by economic fluctuations, and by using elemental technologies to acquire new customers. We are also using successes in R&D to build up new businesses and working to create a stable business portfolio that disperses risk.

In addition, we continue to pursue steady cost reductions, review suppliers, and implement other measures, while also proactively developing production technologies in areas including automation and labor savings, and introducing the latest technologies including 5G, IoT, and AI. We are also seeking to build a production structure that can respond flexibly and efficiently to market changes.

➤ Risks at Overseas Businesses

Likelihood of occurrence: High Degree of impact: Major

■ Sodick's response

Sodick was one of the first companies to expand into China, and we have built production plants and expanded our sales network there. We are working to reduce exchange rate fluctuation and various regulatory risks with a system of local production for local use, including fulfilling sales in the Chinese market with production in China.

In other regions, in contrast to Japan, China, and the rest of Asia, where we have high market shares, we are using technical centers to strengthen our sales structures and customer support in Europe and the United States, where we expect to gain share going forward. We are also setting up sales centers in emerging countries like India, where growth can be expected, with the aim of reducing our reliance on China and optimizing our breakdown of sales by region.

➤ Risks Related to Securing and Developing Human Resources

Likelihood of occurrence: Medium Degree of impact: Major

■ Sodick's response

We proactively engage in recruitment activities to acquire superior human resources as a way to secure and develop engineers with highly specialized technical skills and human resources with excellent management skills in areas including management strategy and global organizational management. We also emphasize systematic human resource development after joining the Company, and the development of human resources through training for managers and level-specific training. In April 2020, we introduced a new personnel system that represents an extensive reform of the previous system, with the aim of career development in accordance with each employee's career goals and individual characteristics.

➤ Risks Associated with the Spread of COVID-19

Likelihood of occurrence: High Degree of impact: Major

■ Sodick's response

Placing the utmost priority on the safety of our customers, business partners, employees, and their families, Sodick established a task force in late January 2020 to implement thorough preventive measures that can be taken by each individual employee. (Please refer to [Page 33](#) for details.) We are also preparing for a resumption of economic activity after the pandemic has been brought under control.

■ Situation in each business location (as of March 2021)

Location	Response
Japan	Continuing partial limitation on use of public transportation and encouraging working from home Implemented temporary layoffs for several days between August 2020 and February 2021
Europe and the United States	Continuing rotation between working at office and working from home
China	Normal operations
Other Asia	Production adjustments at Thailand Plant completed, currently normal operations

* The above does not cover all the risks related to investing in Sodick's shares. In addition, forward-looking information contained in the above section is based on the Group's judgement as of December 31, 2020.

* Please refer to the securities report for more detailed information regarding major risks (available in Japanese only).

https://www.sodick.co.jp/ir/r_report.html

Sustainability Message

We are strengthening our base for sustainable business activities, primarily through the CSR Promotion Committee, which is chaired by the President.



Yumi Takeda
CSR Promotion Committee member

Q 1 Please tell us about Sodick's approach to sustainability.

The "Next Stage 2026" long-term management plan lays out a vision for sustainable growth while flexibly responding to global environmental changes that affect Sodick. To achieve this, it is essential that we strengthen our ESG management base as a platform for sustainable business activities.

Since 2017, we have set targets for CSR activities

and each year we have promoted and carried out new activities, mainly through the CSR Promotion Committee, which is chaired by the President and Representative Director. Going forward, we aim to step up our environmental and social activities and strengthen our corporate governance structure by incorporating the perspective of the Sustainable Development Goals (SDGs).

Q 2 Please tell us about the specific SDGs that Sodick has been most proactively pursuing.

9: Industry, Innovation and Infrastructure

Based on our philosophy of "We create it if it does not exist," we have developed a variety of technologies and new products to resolve customers' issues. Going forward, we will contribute to industry and technological innovation around the world by developing machine tools that can perform highly precise processing.

12: Responsible Consumption and Production

Our product development continues to achieve reduced electricity and energy consumption by enhancing machining performance and increasing processing speeds, so that by selecting Sodick's products, customers are able to contribute to energy conservation and the prevention of global warming. We also constantly incorporate the concept of machine manufacturing that makes effective use of limited resources in our design and development.

7: Affordable and Clean Energy

We are installing solar panels and carrying out ongoing activities to reduce our energy consumption and CO₂ emissions, with the aim of reducing the environmental impact of our business activities. Our main Thailand Plant was recognized by the Thai government in 2019 for its activities to reduce electrical power consumption.

8: Decent Work and Economic Growth

We introduced a new personnel system in 2020 to address work style diversity. This made it possible for individual employees to choose the type of position that suits their career plan and life plan. We have also launched the Ebina Farm* to create hiring opportunities for persons with disabilities.

*Ebina Farm is a farm where employees with disabilities grow herbs and vegetables

Q 3 What were the major initiatives Sodick carried out during 2020?

Although many events were canceled because of the COVID-19 pandemic, during 2020 we contributed to our local communities by donating and providing Sodick-manufactured face shields to public institutions, schools, and sports organizations. Other activities included support

for a workshop held by the Ishikawa Prefecture Digital Artist Discovery Committee, and holding of a sumo classroom for children in Kaga City.

We also held internal SDGs training to promote a better understanding among employees.

SDGs training



Training using an SDGs card game

A training session was held in January 2020 using an SDGs card game to give employees a deeper understanding of the SDGs essence. More than 10 staff from the management division at Head Office participated. An SDGs overview was also presented at the training for new hires.

Support for Eizo Workshop for high school students



Eizo Workshop

We contributed to the cultivation of the next generation in the local community by supporting the Exotic Future workshop for high school students, held by the Ishikawa Prefecture Digital Artist Discovery Committee. A Sodick employee served as one of the judges.

Basic Policy and Structure for CSR

> Basic Policy for CSR

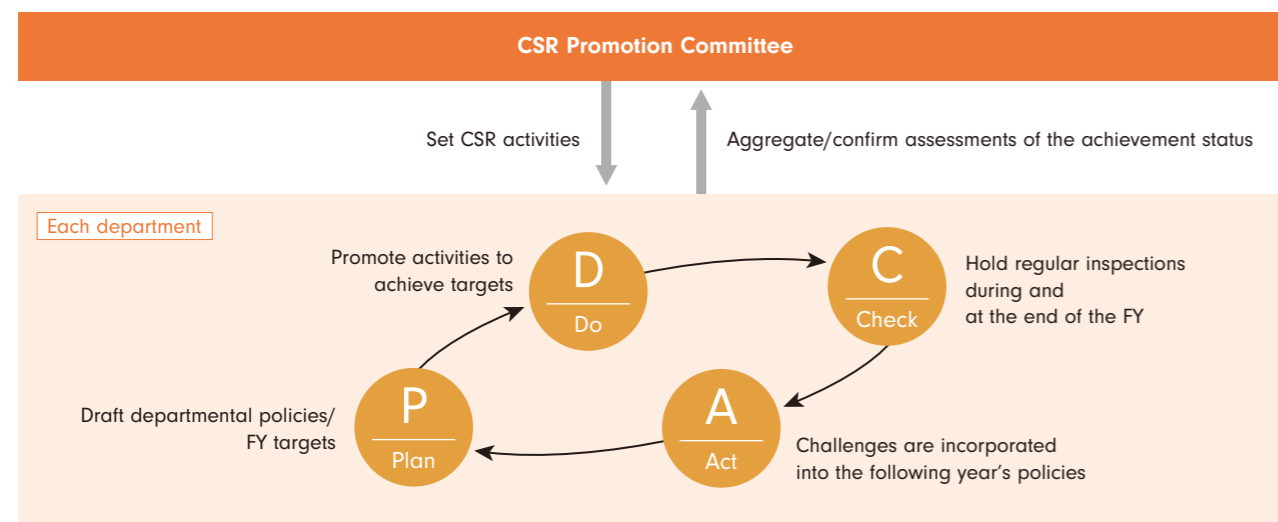
Sodick Group's business philosophy is to contribute to the sustainable advancement of society by supplying outstanding products and supporting our customers' manufacturing operations. In order to achieve this, we strive to implement wide-ranging CSR activities, rooted in the practice of sincere business activities in line with the Sodick Group Action Guidelines for Corporate Ethics and Standards for Corporate Behavior (Compliance Guidelines). As well as complying with laws and social norms, we believe that the most important element in this is to conduct business in a consistently transparent and readily comprehensible manner, for all of our stakeholders including our shareholders and investors, customers, and employees.

> Structure for Promotion of CSR

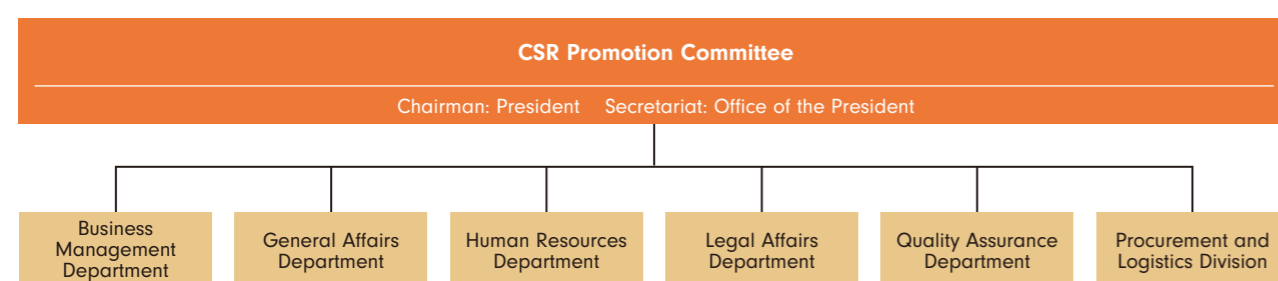
Sodick has established a CSR Promotion Committee, which is chaired by the President and Representative Director. The CSR Promotion Committee is led by the management division at Head Office. It systematically promotes CSR activities by setting CSR-related targets focused on important themes such as compliance, contribution to society, fostering human resources, quality control, and the environment, and by implementing the PDCA cycle. Its aim is to promote CSR activities in a systematic manner through the combined efforts of the entire company.

During the fiscal year ended December 2020, as countries around the world took measures to respond to COVID-19, the Sodick Group gave priority to measures to ensure that our customers, business partners, employees, and everyone in our local communities can maintain safety and comfort in their daily lives, while also systematically working to resolve our own issues. Going forward, all Group employees will continue to work as one to precisely identify global trends, to create a better future for the Sodick Group and all our stakeholders.

> CSR Promotion Image



> CSR Structural Chart



Major Activities during 2020

Stakeholder	Theme	Activity	Related SDGs
Environment	Reducing environmental impact of business activities → Pages 48, 49	<ul style="list-style-type: none"> Activities to reduce paper and plastic trash Strengthened and improved management of harmful chemical substances 	13 Climate Action, 14 Life Below Water, 15 Life on Land
	Green procurement → Page 48	<ul style="list-style-type: none"> Centralized information on Green Procurement Standards Activities to reduce printed materials 	15 Life on Land
Customers	Contributing to the environment through products → Pages 10, 11	<ul style="list-style-type: none"> Promoted development of environmentally-friendly products Promoted development of recyclable and green products Developed biodegradable plastic molding techniques 	9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production, 13 Climate Action, 15 Life on Land
	Quality enhancement	<ul style="list-style-type: none"> Activities to reduce design-caused defects Strengthened risk assessment by model 	9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production
	BCP	<ul style="list-style-type: none"> Business continuity plan for procurement and logistics (survey, improvement) 	11 Sustainable Cities and Communities
Society	Social and cultural activities → Page 43	<ul style="list-style-type: none"> Children's sumo classroom (Kaga City) Supported Ishikawa Prefecture Digital Artist Discovery Committee 	4 Quality Education
	COVID-19-related activities → Page 33	<ul style="list-style-type: none"> Provided Sodick-manufactured face shields 	3 Good Health and Well-being, 11 Sustainable Cities and Communities
Employees	Promoting diversity → Pages 46, 47	<ul style="list-style-type: none"> Hired non-Japanese employees Hired employees with disabilities Promoted and encouraged women in the workforce 	5 Gender Equality, 10 Reduced Inequalities
	Creating comfortable workplace environments → Pages 46, 47	<ul style="list-style-type: none"> Created environments for working from home, including permanently Reduced overtime Activities to eliminate harassment Held safety training to eliminate work-related injuries Formulated manual of welding standards for machine tools Prevented traffic accidents with company vehicles 	8 Decent Work and Economic Growth
	Human resource development → Pages 43, 46, 47	<ul style="list-style-type: none"> SDGs training Expanded level-specific training Made skill and qualification information visible (talent management system) 	17 Partnerships for Sustainable Development
	Strengthening corporate governance → Pages 38-42	<ul style="list-style-type: none"> Established corporate governance structure Strengthened internal controls and risk management Strengthened management oversight functions Increased management transparency Increased dialogue with stakeholders 	
Shareholders and Investors	ESG information disclosure	<ul style="list-style-type: none"> Issued Integrated Report Analyzed and considered ESG indexes Expanded disclosure of ESG information 	

Human Resource Initiatives

We focus on creating a system and workplace to develop human resources who can pioneer future innovation and take on new challenges without fear of change.

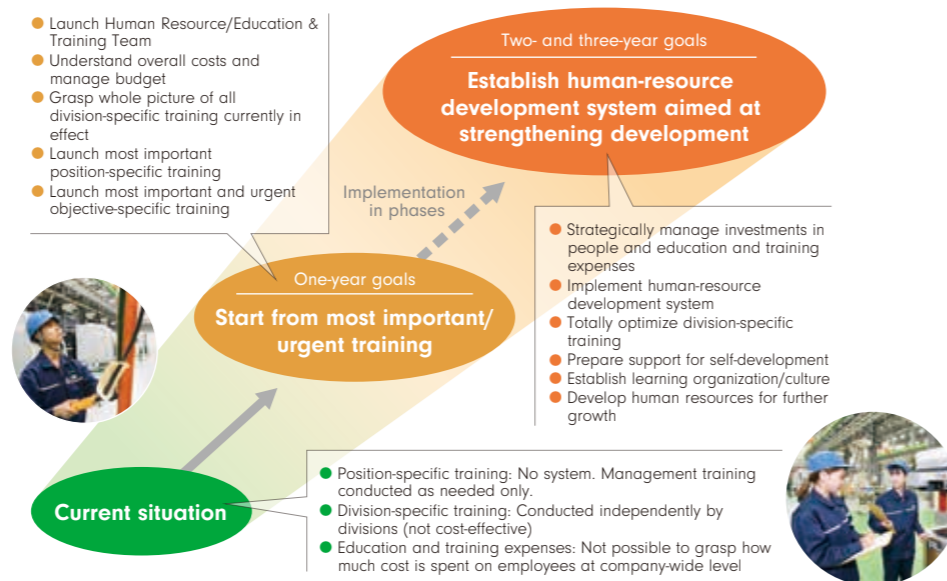
Koji Kamata
Human Resources Department
Corporate Division



Q 1 What is Sodick's basic approach to human resources?

We strive to create a working environment and corporate culture where every employee can grow together with the Company, recognize each other's individuality, and play an active and energetic role. In addition, in order to achieve our long-term management plan, "Next Stage 2026," in these days when the business environment is changing at a dizzying pace, it is not enough to just aim for growth and improve productivity in the domains where we have traditionally been strongest; it is also essential for our human resources today to be pioneering, and able to take on new challenges without fear of change, while responding flexibly to change. We are strengthening organizations and environments that develop this kind of human resources.

Current status and flow toward strengthening future human-resource development



Q 2 How does the Company's personnel appraisal system work?

Personnel appraisal is by no means an "evaluation" to determine monetary compensation. The role of personnel appraisal is "to encourage the growth of each employee, strengthen the organization, and lead this to the Company's growth." We have introduced a personnel appraisal system that relaxes our previous policy of focusing on accumulated experience, and is aligned with the expectations and roles of each individual to grow together with their organization and company. The objectives are as follows:

1) Encourage the development of human resources
A person's abilities are not static: they are changing, and growing through things like on-the-job training (OJT), self-development, and training. The primary objective of personnel appraisal is to correctly observe and analyze the employee's strengths and weaknesses, or areas where their abilities exceed or fall below standards, in the day-to-

day conduct of their job, and share information necessary to give the employee-specific guidance and development that will enable them to reach a higher level.

2) Utilization and correct assignment of human resources
By grasping and analyzing the results, abilities, and aptitude of each person's job through personnel appraisal, we achieve the most suitable placement for the organization's needs, and take maximum advantage of each person's abilities.

3) Achievement of fair treatment
We conduct evaluations in the most appropriate way possible, and strive to ensure fair treatment. By establishing objective evaluation criteria and conducting personnel appraisals according to fair rules, our system leads to fair treatment: in other words, the fair distribution of raises, promotions, and bonuses, according to how well each employee has contributed and harnessed their abilities.

Q 3 Please tell us about your initiatives to develop the next generation of managers and experts.

We introduced a "Global Career Track" position for employees with the potential to be the next generation of the Company's executive managers, who experience different kinds of work and gain a comprehensive understanding of the management environment both in Japan and overseas. We also introduced managerial

personnel who are active as managers close to top management, and expert personnel who possess a high level of expertise and are actively engaged in the Company's medium- to long-term growth. The aim is to offer a career path that aligns with the career ambitions and characteristics of each employee.

Focus	Career tracks: (1) Global Career Track (2) Area Career Track	
	Managerial personnel	Expert personnel
Role	Accurate management to achieve the organization's objectives	Leverage high level of expertise to contribute to medium- to long-term growth and improving performance of the organization
Target employees	Management position with subordinates, capable of contributing to society using the division's resources	Has a proven record as an expert in a specified field, being capable of developing new technologies or products, and can carry out extremely difficult work duties
Positions	General Manager, Deputy General Manager, Executive Manager, Department Manager, Deputy Department Manager, Section Manager, etc.	Specialist, senior expert, expert
Salary	Paid management allowance	Paid expert allowance

Q 4 How are you working toward diversity?

➤ Hiring and promoting advancement of women

We have drawn up an action plan to enable female employees to shine in a variety of fields, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and through PDCA, we are promoting the active hiring of women, the appointment of female directors, and the creation of an environment that facilitates return to work after taking childbirth/parental leave.

We have been encouraging male employees to take parental leave since 2016, and the number of male employees taking such leave is growing steadily.



➤ Creating an organization that leverages its diverse human resources

We continue to actively hire people with disabilities and create an environment that broadly promotes such hiring goals in order to provide them with stability. Additionally, we are striving to revitalize our organization by leveraging the extensive experience of senior citizens, through the realization of dual-track career paths, by giving broad consideration to extending the retirement age, career planning for each individual employee, and the Company's human-resource strategy.

We were quick to adopt a global perspective in developing our business, and have also actively sought out foreign national hires. As of December 31, 2020, around 65% of our employees work overseas. We advance diversity, including hiring locally for executive positions. Women are also active as presidents at some of these overseas locations.

Q 5 Please tell us about work style reform and DX.

We have long been committed to work style reform, creating an environment that enables people to work regardless of time or place, and streamlining business processes through robotic process automation (RPA). In the fiscal year ended December 2020, we accelerated these efforts amid the COVID-19 pandemic.

Company-wide acceleration of DX (fiscal year ended December 2020)

	Until now	Increased selection of work styles
Work location	Fixed seating/ some work from home	Free addressing, working at home
Meetings with remote locations	Business trip	Internet teleconferences
Communications	PHS	Communication via internet, chat
Data entry/paperwork	Input by hand	RPA
Applications	Stamp approval	Workflow approval
Exhibitions	Run booths at events	Virtual exhibitions, create YouTube channels
Maintenance service	Business trip on site	Use tablets and other remote tools

➤ Please see the following URL for details about our promotion of diversity and work style reform.
https://www.sodick.co.jp/en/ir/esg_society.html

Environmental Initiatives

Policy on and System for Quality, the Environment, and Safety

Japan's Hokuriku region, where Sodick's production center is located, is an area with beautiful nature and traditional culture, and as we continue to develop and manufacture products there, we believe that placing importance on the natural environment will lead to the creation of a society in which people live fulfilling lifestyles.

Based on the Total Quality Management (TQM) perspective that we incorporate in our manufacturing operations, the same value creation activities placed on quality assurance and safety and hygiene is given to environmental conservation activities, and we have therefore created a system for promoting quality, the environment, and safety. A "QVP" Companywide Policy" is formulated each fiscal year, and QVP* activities* to reform and improve our own operations are carried out at locations in Japan and overseas. Based on their respective priority issues, Group companies and divisions share the previous fiscal year's successes, issues, and goals for the

following fiscal year at a global presentation event led by top management. The formulation of medium- to long-term goals leads to ongoing activities toward improvement.

➤ Environmental Policy—Companywide Policy for FY12/2020 QVP* activities—

- 1) Out of consideration for the environment, we will strive to develop products in a way that reduces greenhouse gas emissions and that can be recycled to reduce waste. We will also carry out improvements on production equipment.
- 2) We will strive to understand and comply with the laws and regulations of Japan and other countries, with the aim of reducing and completely eliminating environmentally harmful chemical substances.

* QVP* activities: QVP stands for Quality Victory Plan, and activities are carried out by various business divisions to improve quality, the environment, and safety in accordance with each fiscal year's policy and goals. Please refer to page 17 for Companywide Policy.
* Please refer to page 17 for the organization chart of the system for promoting quality, the environment, and safety.

Acquisition of Environmental Management Certification

All of our business locations in Japan have acquired the certification under the ISO 14001:2015 international environmental management standard. Operations are continuously reviewed and improved while their effectiveness is confirmed.

Promoting Green Procurement

Our Green Procurement Standards took effect in November 2017, and prescribe selection criteria for suppliers and the items procured. These criteria also clarified the activities and surveys needed in order to fulfill our Green Procurement Standards. Additionally, we carried out a survey on our suppliers covering locations within Japan and overseas. We have also established a BCP that is capable of handling situations such as earthquakes and data falsification by manufacturers. During the fiscal year ended December 2020, we worked to centralize our information on Green Procurement Standards.

Management of Chemical Substances That Affect the Environment

We are in the process of creating our own ERP-linked harmful chemical substances control system (SHCSCS). During the fiscal year ended December 2020, we implemented more thorough management to strengthen our ability to visualize the types and quantities of harmful chemical substances we possess.

List of initiatives in green procurement and management of chemical substances

- Distributing copies of the Green Procurement Standards
- Distributing lists of hazardous chemicals
- Distributing and collecting survey sheets (survey request response forms for chemicals that impact the environment, certificates attesting that such chemicals are not used)
- Distributing and collecting evaluation sheets related to environmental conservation
- Distributing and collecting certificates attesting that designated chemical substances are not contained in products
- Distributing and collecting utilization reports concerning regulations on disclosing conflict minerals
- Distributing tables of exemptions to the RoHS2 directives
- Collecting Safety Data Sheets (SDS)

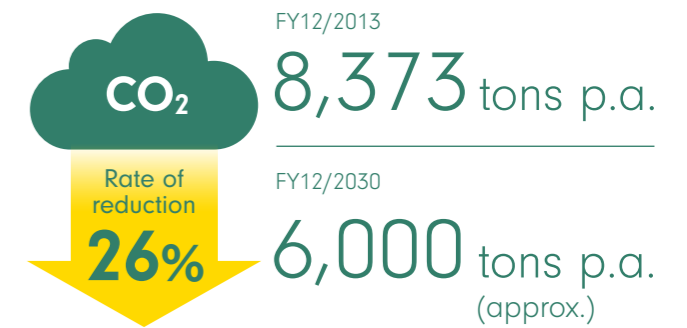
Initiatives for Climate Change Issues

As interest in social issues related to the environment and energy grows globally, there has been an increasing focus on the Paris Agreement and the SDGs. At Sodick, we are continuously promoting activities related to energy conservation, greenhouse gas reductions, and the use of natural energy in our business activities, based on our QVP* Companywide Policy.

Our administrative divisions are also striving to reduce CO₂ emissions by encouraging employees to forgo suits during warmer months (known as Cool Biz), as well as by making effective use of video conferencing in place of moving for in-person meetings.

➤ Greenhouse Gas Reduction Targets

We aim to reduce our volume of greenhouse gas emissions by 26% in the fiscal year ending December 2030 relative to the fiscal year ended December 2013.



CO₂ Emissions at Sodick Business Sites in Japan

	FY12/2016	FY12/2017	FY12/2018	FY12/2019	FY12/2020
CO ₂ emissions (t)	8,543	6,583	8,831*	10,164	9,904

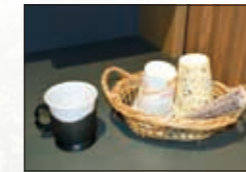
* Increase from construction of multi-factory

Crude Oil Equivalent at Sodick Business Sites in Japan

	FY12/2016	FY12/2017	FY12/2018	FY12/2019	FY12/2020
Crude oil equivalent (kl)	3,440	2,650	3,529	4,116	4,025

Measures to reduce plastic waste

- Change from plastic bottles to cans with covers for refreshments provided to visitors
- Introduction of water coolers for employees and paper cup-dispensing vending machines for visitors
- Use of paper cups and wooden stirrers for drinks provided to visitors



Ten-Year Financial Summary

	03/2012 FY	03/2013 FY	03/2014 FY	03/2015 FY	03/2016 FY	03/2017 FY	12/2017 FY	12/2018 FY	12/2019 FY	Unit: million yen 12/2020 FY	Unit: US\$1,000*1 12/2020 FY
Business performance											
Net sales	53,528	55,031	56,899	63,090	65,146	61,812	65,604	82,716	67,591	58,030	562,089
Cost of sales	35,957	38,296	40,232	42,215	41,369	39,318	42,445	52,488	45,421	39,779	385,316
Gross profit	17,570	16,734	16,667	20,874	23,777	22,494	23,159	30,227	22,169	18,250	176,773
Selling, general and administrative expenses	12,080	12,719	14,014	15,984	17,424	17,257	15,669	20,338	18,747	16,397	158,829
Operating income	5,495	4,021	2,651	4,891	6,353	5,236	7,490	9,888	3,422	1,852	17,944
Ordinary income	4,577	5,356	3,886	5,647	5,719	4,620	7,910	9,619	3,558	2,046	19,825
Profit before income taxes	4,473	5,170	3,857	5,129	5,748	4,193	7,772	8,929	3,369	2,078	20,128
Profit attributable to owners of the parent	3,320	4,191	4,194	3,550	4,167	3,644	5,736	6,462	2,002	1,346	13,046
R&D expenses	1,717	1,832	2,004	2,494	3,408	3,518	3,344	3,902	3,483	3,220	31,190
Facility investments	3,661	5,460	3,136	2,232	2,887	2,594	4,588	8,576	6,561	2,448	23,717
Depreciation	2,121	2,204	2,559	2,659	2,765	2,697	2,360	3,085	3,664	3,399	32,933
Financial status											
Total assets	92,993	95,041	98,776	104,167	99,722	109,271	121,815	119,082	114,647	116,117	1,124,730
Net assets	29,718	36,033	42,451	49,453	49,758	48,710	55,166	58,129	58,745	57,976	561,573
Interest-bearing debt	41,339	41,506	39,480	35,758	33,826	40,953	41,704	39,524	38,637	41,385	400,863
Cash flow											
Cash flows from operating activities	9,245	2,766	5,577	8,298	6,579	8,373	4,522	9,275	8,336	5,270	51,049
Cash flows from investing activities	-5,295	-4,776	-4,181	-144	-2,773	-2,132	-4,715	-8,188	-5,609	-1,410	-13,663
Free cash flow	3,950	-2,009	1,395	8,153	3,806	6,240	-193	1,087	2,727	3,860	37,387
Cash flows from financing activities	6,809	-1,163	-3,696	-5,243	-2,854	3,134	-439	-3,485	-2,228	1,665	16,132
Per-share indicators											
Earnings per share (EPS) (Yen/US\$*1)	67.07	83.29	83.36	70.55	82.82	76.91	122.15	137.58	42.58	28.63	0.28
Net assets per share (BPS) (Yen/US\$*1)	589.28	715.26	842.40	981.47	987.01	1,035.19	1,172.12	1,235.46	1,247.06	1,230.53	11.92
Dividends per share (Yen/US\$*1)	11.00	14.00	14.00	20.00	18.00	19.00	22.00	24.00	25.00	25.00	0.24
Key financial indicators											
Ratio of gross profit to sales	32.8%	30.4%	29.3%	33.1%	36.5%	36.4%	35.3%	36.5%	32.8%	31.4%	
Ratio of operating income to net sales	10.3%	7.3%	4.7%	7.8%	9.8%	8.5%	11.4%	12.0%	5.1%	3.2%	
Ratio of ordinary income to sales	8.6%	9.7%	6.8%	9.0%	8.8%	7.5%	12.1%	11.6%	5.3%	3.5%	
Return on equity (ROE)*2	11.8%	12.8%	10.7%	7.7%	8.4%	7.4%	11.1%	11.4%	3.4%	2.3%	
Ratio of ordinary income to total assets (ROA)*3	5.3%	5.7%	4.0%	5.6%	5.6%	4.4%	6.8%	8.0%	3.0%	1.8%	
Debt-to-equity ratio (D/E ratio)*4 (times)	1.30	1.17	1.02	0.86	0.75	0.92	0.84	0.72	0.69	0.74	
Equity ratio*5	31.9%	37.9%	42.9%	47.4%	49.8%	44.5%	45.2%	48.7%	51.2%	49.9%	
Dividend on equity (DOE)*6	1.7%	2.0%	1.8%	2.4%	2.0%	2.0%	2.1%	2.1%	2.1%	2.1%	
Ratio of overseas sales	60.6%	63.7%	60.4%	64.1%	63.8%	62.7%	69.6%	65.8%	62.0%	66.0%	
Average exchange rate over the period Yen/USD	79.08	82.91	100.17	109.76	120.15	108.34	111.69	110.44	109.03	106.76	
Yen/EUR	109.02	106.78	134.21	138.69	132.60	118.74	128.55	130.35	122.03	121.88	
Yen/CNY	12.35	12.66	15.87	17.14	19.21	16.32	16.62	16.71	15.77	15.48	
Yen/THB	2.59	2.70	3.19	3.38	3.44	3.08	3.33	3.42	3.52	3.42	
Other											
Number of employees (consolidated)	2,956	2,921	2,999	3,183	3,216	3,415	3,651	3,676	3,579	3,633	

*1 US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in the Tokyo foreign currency market as of December 31, 2020.

*2 Return on equity (ROE) = Profit/(Net assets - Subscription warrants - Non-controlling interests)

*3 Ratio of ordinary income to total assets (ROA) = Ordinary income/Total assets (Average during the period)

*4 Debt-to-equity ratio (D/E ratio) = Interest-bearing debt/Shareholders' equity

*5 Equity ratio = (Net assets - Subscription warrants - Non-controlling interests)/Total assets

*6 Dividend on equity (DOE) = Total dividends/Shareholders' equity

* Due to the fiscal year-end change, FY12/17 consolidated financial results comprise 9 months (from April to December 2017) of results for companies whose fiscal year ends on March 31, and 12 months (from January to December 2017) of results for those whose fiscal year ends on December 31, resulting in irregular settlement of accounts.

Consolidated Balance Sheets

	Unit: million yen		Unit: US\$1,000*
	12/2019 FY	12/2020 FY	12/2020 FY
Assets			
Current assets			
Cash and deposits	¥ 33,873	¥ 38,920	\$ 376,994
Notes and accounts receivable-trade	13,773	13,268	128,519
Electronically recorded monetary claims-operating	1,589	2,149	20,825
Merchandise and finished goods	8,733	7,668	74,282
Work in process	7,585	7,159	69,348
Raw materials and supplies	7,339	6,492	62,884
Other	2,774	2,508	24,301
Allowance for doubtful accounts	-379	-214	-2,073
Total current assets	75,290	77,954	755,080
Non-current assets			
Property, plant and equipment			
Buildings and structures	28,257	28,136	272,537
Machinery, equipment and vehicles	20,887	21,095	204,339
Tools, furniture and fixtures	3,831	3,954	38,307
Land	7,274	7,222	69,958
Leased assets	1,699	2,403	23,277
Construction in progress	706	833	8,074
Accumulated depreciation	-30,800	-33,287	-322,432
Total property, plant and equipment	31,856	30,358	294,060
Intangible assets			
Goodwill	1,494	1,336	12,941
Other	916	892	8,647
Total intangible assets	2,411	2,228	21,588
Investments and other assets			
Investment securities	3,501	3,226	31,252
Long-term loans receivable	5	3	30
Deferred tax assets	601	1,112	10,772
Other	1,075	1,290	12,502
Allowance for doubtful accounts	-95	-57	-553
Total investments and other assets	5,088	5,575	54,002
Total non-current assets	39,357	38,162	369,650
Total Assets	¥ 114,647	¥ 116,117	\$ 1,124,730

* US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in trading in the Tokyo foreign currency market as of December 31, 2020.

	Unit: million yen		Unit: US\$1,000*
	12/2019 FY	12/2020 FY	12/2020 FY
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥ 4,231	¥ 4,297	\$ 41,629
Electronically recorded obligations-operating	5,063	3,870	37,487
Short-term loans payable	2,508	2,719	26,337
Current portion of bonds	140	8,121	78,661
Current portion of long-term loans payable	8,944	6,743	65,315
Accounts payable-other	1,092	883	8,559
Income taxes payable	293	401	3,892
Provision for product warranties	365	342	3,315
Provision for quality guarantee	2	5	53
Provision for bonuses	325	489	4,741
Provision for point card certificates	1	1	16
Provision for loss on compensation for damage	-	75	726
Other	4,123	4,196	40,645
Total current liabilities	27,092	32,146	311,378
Non-current liabilities			
Convertible bond-type bonds with subscription rights to shares	8,841	720	6,974
Long-term loans payable	18,203	23,081	223,576
Provision for directors' retirement benefits	22	22	213
Provision for product warranties	248	190	1,846
Net defined benefit liability	545	592	5,737
Asset retirement obligations	63	64	626
Other	885	1,322	12,806
Total non-current liabilities	28,810	25,993	251,779
Total Liabilities	55,902	58,140	563,157
Net Assets			
Shareholders' equity			
Capital stock	20,785	20,785	201,329
Capital surplus	5,896	5,877	56,934
Retained earnings	33,670	33,787	327,276
Treasury shares	-4,647	-4,566	-44,234
Total shareholders' equity	55,705	55,884	541,306
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	901	596	5,780
Foreign currency translation adjustment	2,286	1,746	16,913
Remeasurements of defined benefit plans	-227	-328	-3,177
Total accumulated other comprehensive income	2,960	2,014	19,517
Non-controlling interests	79	77	751
Total Net Assets	58,745	57,976	561,573
Total Liabilities and Net Assets	¥ 114,647	¥ 116,117	\$ 1,124,730

Consolidated Statements of Income

	Unit: million yen		Unit: US\$1,000*
	12/2019 FY	12/2020 FY	12/2020 FY
Net sales	¥ 67,591	¥ 58,030	\$ 562,089
Cost of sales	45,421	39,779	385,316
Gross profit	22,169	18,250	176,773
Selling, general and administrative expenses			
Personnel expenses	7,469	7,343	71,128
Provision of allowance for doubtful accounts	1	57	559
Amortization of goodwill	139	138	1,346
Provision for point card certificates	0	0	1
R&D expenses	2,528	2,216	21,474
Other	8,609	6,640	64,321
Total selling, general and administrative expenses	18,747	16,397	158,829
Operating income	3,422	1,852	17,944
Non-operating income			
Interest income	256	266	2,577
Dividends income	236	118	1,151
Equity in earnings of affiliates	42	71	696
Subsidy income	212	424	4,111
Gain on sale of scraps	20	16	158
Other	244	190	1,849
Total non-operating income	1,013	1,088	10,543
Non-operating expenses			
Interest expenses	285	285	2,761
Foreign exchange losses	132	393	3,809
Provision of allowance for doubtful accounts	274	49	480
Other	184	166	1,612
Total non-operating expenses	877	894	8,662
Ordinary income	3,558	2,046	19,825
Extraordinary income			
Gain on sales of non-current assets	138	28	278
Gain on liquidation of subsidiaries and associates	–	129	1,250
Other	3	1	16
Total extraordinary income	141	159	1,544
Extraordinary losses			
Loss on sales of non-current assets	114	1	19
Loss on retirement of non-current assets	31	31	303
Loss on valuation of shares of subsidiaries and associates	87	18	177
Loss on valuation of investments in capital of subsidiaries and associates	94	–	–
Provision of allowance for loss on compensation for damage	–	75	726
Other	2	1	16
Total extraordinary losses	330	128	1,241
Profit before income taxes	3,369	2,078	20,128
Income taxes – current	888	1,178	11,417
Income taxes – deferred	479	-444	-4,303
Total income taxes	1,368	734	7,114
Profit	2,001	1,343	13,014
Loss attributable to non-controlling interests	-1	-3	-32
Profit attributable to owners of the parent	¥ 2,002	¥ 1,346	\$ 13,046

* US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in trading in the Tokyo foreign currency market as of December 31, 2020.

Consolidated Statements of Comprehensive Income

	Unit: million yen		Unit: US\$1,000*
	12/2019 FY	12/2020 FY	12/2020 FY
Profit	¥ 2,001	¥ 1,343	\$ 13,014
Other comprehensive income			
Valuation difference on available-for-sale securities	-65	-304	-2,953
Foreign currency translation adjustments	-227	-515	-4,991
Remeasurements of defined benefit plans, net of tax	9	-100	-978
Share of other comprehensive income of entities accounted for using equity method	-4	-23	-227
Total other comprehensive income	-287	-944	-9,149
Comprehensive income	1,713	398	3,864
(Comprehensive income attributable to)			
owners of parent	1,718	401	3,885
non-controlling interests	¥ -4	¥ -2	\$ -21

* US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in trading in the Tokyo foreign currency market as of December 31, 2020.

Consolidated Statements of Changes in Equity

	Unit: million yen										
	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
12/2019 FY (from January 1, 2019 to December 31, 2019)											
Balance at beginning of current fiscal year	¥ 20,785	¥ 5,877	¥ 32,823	¥ -4,698	¥ 54,788	¥ 967	¥ 2,513	¥ -236	¥ 3,244	¥ 96	¥ 58,129
Changes of items during period											
Dividends of surplus			-1,128		-1,128						-1,128
Reserve for the awards and welfare fund for employees of foreign subsidiaries			-26		-26						-26
Profit attributable to owners of the parent			2,002		2,002						2,002
Purchase of treasury shares				-0	-0						-0
Disposal of treasury shares				51	51						51
Restricted stock compensation		18			18						18
Net changes of items other than shareholders' equity						-65	-227	9	-284	-16	-300
Total changes of items during fiscal year	-	18	847	50	916	-65	-227	9	-284	-16	615
Balance at end of current fiscal year	20,785	5,896	33,670	-4,647	55,705	901	2,286	-227	2,960	79	58,745
12/2020 FY (from January 1, 2020 to December 31, 2020)											
Balance at beginning of current fiscal year	20,785	5,896	33,670	-4,647	55,705	901	2,286	-227	2,960	79	58,745
Changes of items during period											
Dividends of surplus			-1,176		-1,176						-1,176
Reserve for the awards and welfare fund for employees of foreign subsidiaries			-5		-5						-5
Profit attributable to owners of the parent			1,346		1,346						1,346
Purchase of treasury shares				-53	-53						-53
Disposal of treasury shares				70	70						70
Cancellation of treasury shares		-15	-48	63	-						-
Restricted stock compensation		-3			-3						-3
Net changes of items other than shareholders' equity						-304	-539	-100	-945	-2	-947
Total changes of items during fiscal year	-	-18	117	81	179	-304	-539	-100	-945	-2	-768
Balance at end of current fiscal year	¥ 20,785	¥ 5,877	¥ 33,787	¥ -4,566	¥ 55,884	¥ 596	¥ 1,746	¥ -328	¥ 2,014	¥ 77	¥ 57,976

Unit: US\$1,000*

	Unit: US\$1,000*										
	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
12/2020 FY (from January 1, 2020 to December 31, 2020)											
Balance at beginning of current fiscal year	\$ 201,329	\$ 57,116	\$ 326,142	\$ -45,019	\$ 539,568	\$ 8,734	\$ 22,143	\$ -2,199	\$ 28,678	\$ 772	\$ 569,018
Changes of items during period											
Dividends of surplus			-11,393		-11,393						-11,393
Reserve for the awards and welfare fund for employees of foreign subsidiaries			-51		-51						-51
Profit attributable to owners of the parent			13,046		13,046						13,046
Purchase of treasury shares				-513	-513						-513
Disposal of treasury shares				682	682						682
Cancellation of treasury shares		-148	-468	616	-						-
Restricted stock compensation		-34			-34						-34
Net changes of items other than shareholders' equity						-2,953	-5,227	-978	-9,159	-21	-9,180
Total changes of items during fiscal year	-	-182	1,134	785	1,737	-2,953	-5,227	-978	-9,159	-21	-7,442
Balance at end of current fiscal year	\$ 201,329	\$ 56,934	\$ 327,276	\$ -44,234	\$ 541,306	\$ 5,780	\$ 16,916	\$ -3,177	\$ 19,517	\$ 751	\$ 561,573

* US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in trading in the Tokyo foreign currency market as of December 31, 2020.

Consolidated Statements of Cash Flows

	Unit: million yen		
	12/2019 FY	12/2020 FY	12/2020 FY
Cash flows from operating activities			
Profit before income taxes	¥ 3,369	¥ 2,078	\$ 20,128
Depreciation	3,664	3,399	32,933
Amortization of goodwill	139	138	1,346
Increase (decrease) in net defined benefit liability	-49	-67	-651
Increase (decrease) in provision for bonuses	-286	165	1,603
Increase (decrease) in provision of allowance for doubtful accounts	188	50	489
Interest and dividend income	-493	-384	-3,729
Interest expenses	285	285	2,761
Share of (profit) loss of entities accounted for using equity method	-42	-71	-696
Foreign exchange losses (gains)	11	100	975
Loss (gains) on sale and revaluation of investment securities	90	-	-
Loss on valuation of shares of subsidiaries and associates	-	18	177
Loss (gains) on sale and retirement of non-current assets	8	4	44
Decrease (increase) in notes and accounts receivable-trade	1,070	-86	-842
Decrease (increase) in inventories	2,944	1,610	15,598
Increase (decrease) in notes and accounts payable-trade	-1,519	-1,102	-10,682
Increase (decrease) in accounts payable-other	-258	-134	-1,302
Increase (decrease) in advances received	-408	101	982
Increase (decrease) in accrued consumption taxes	582	32	316
Loss (gain) on liquidation of subsidiaries and associates	-	-129	-1,250
Increase (decrease) in provision for loss on compensation for damage	-	75	726
Other	56	499	4,839
Subtotal	9,352	6,583	63,765
Interest and dividends income received	410	267	2,592
Interest expenses paid	-292	-290	-2,816
Income tax refund (or paid)	-1,133	-1,289	-12,491
Net cash provided by operating activities	8,336	5,270	51,049
Cash flows from investing activities			
Payments into time deposits	-53	-413	-4,002
Proceeds from withdrawal of time deposits	48	506	4,909
Purchase of property, plant and equipment	-5,645	-1,538	-14,897
Proceeds from sale of property, plant and equipment	767	68	666
Purchase of intangible assets	-357	-175	-1,701
Purchase of investment securities	-0	-0	-8
Proceeds from sale of investment securities	1	-	-
Purchase of shares of subsidiaries and associates	-75	-56	-550
Payments of loans receivable	-332	-	-
Collection of loans receivable	145	18	175
Proceeds from liquidation of subsidiaries	-	129	1,250
Other	-108	51	495
Net cash used in investing activities	-5,609	-1,410	-13,663
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	-1,645	227	2,203
Proceeds from long-term loans payable	8,000	12,500	121,077
Repayment of long-term loans payable	-8,291	-9,810	-95,025
Proceeds from issuance of bonds	1,000	-	-
Redemption of bonds	-	-140	-1,356
Repayments of finance lease obligations	-138	-250	-2,425
Proceeds from sale and leaseback transactions	-	416	4,033
Purchase of treasury shares	-0	-53	-513
Cash dividends paid	-1,128	-1,176	-11,393
Other	-24	-48	-470
Net cash provided by (used in) financing activities	-2,228	1,665	16,132
Effect of exchange rate change on cash and cash equivalents	-302	-160	-1,553
Net increase (decrease) in cash and cash equivalents	195	5,364	51,965
Cash and cash equivalents at the beginning of the period	32,650	32,890	318,584
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	44	-	-
Cash and cash equivalents at the end of current period	¥ 32,890	¥ 38,255	\$ 370,549

* US\$ amounts are converted at the rate of US\$1 = 103.24 yen observed in trading in the Tokyo foreign currency market as of December 31, 2020.

Location of Head Office:
3-12-1, Nakamachidai, Tsuzuki-ku, Yokohama, Kanagawa,
224-8522 Japan
Phone: +81-45-942-3111 (main)

Established: August 3, 1976

Capital Stock: 20,785 million yen

Total number of authorized shares: 150,000,000

Total number of shares issued: 53,363,016

Total number of shareholders: 10,535

Number of employees: 886 (3,633 consolidated)

Stock listing: Tokyo Stock Exchange, First Section

Stock code: 6143

Fiscal year: January 1 – December 31

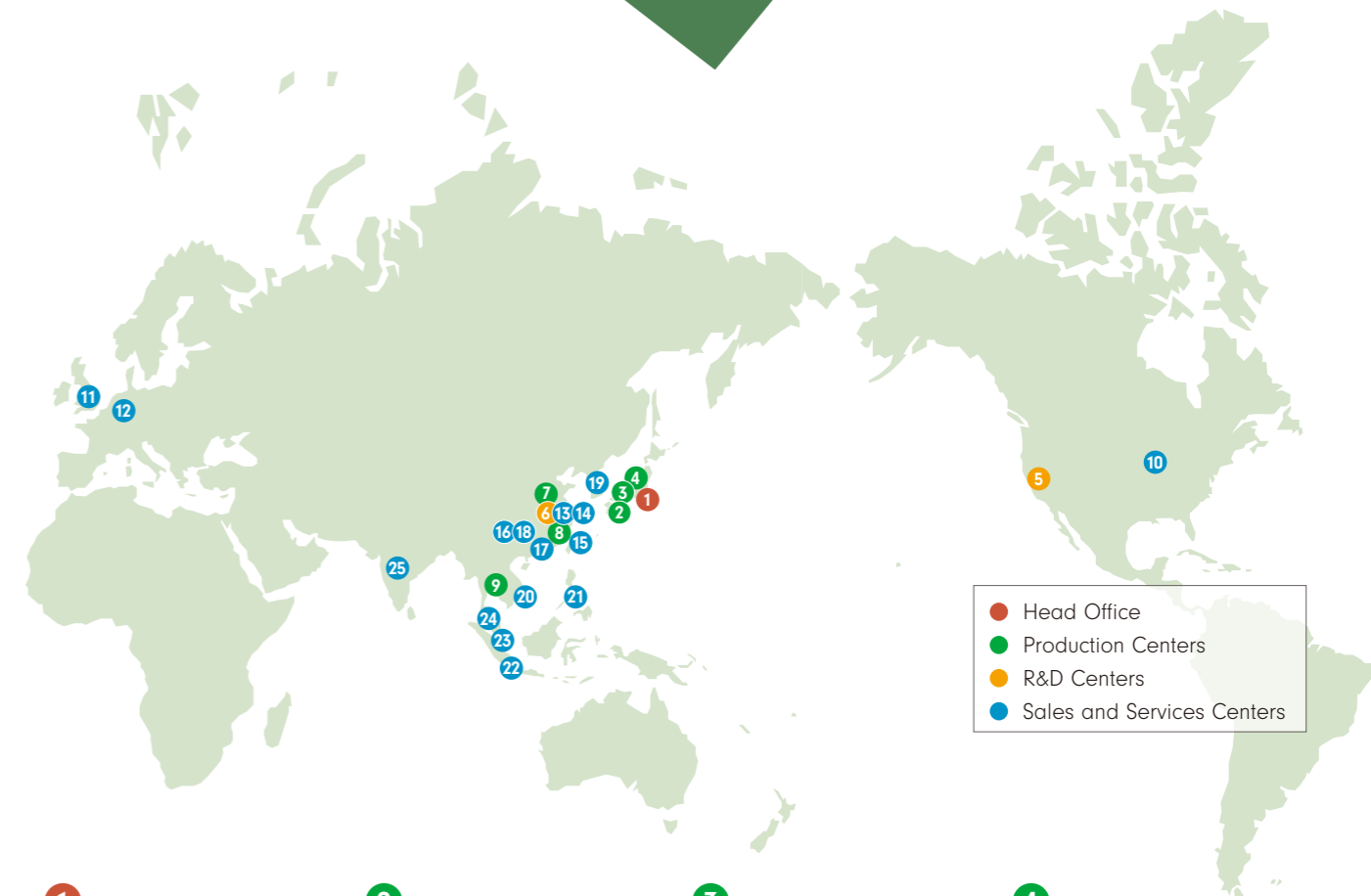
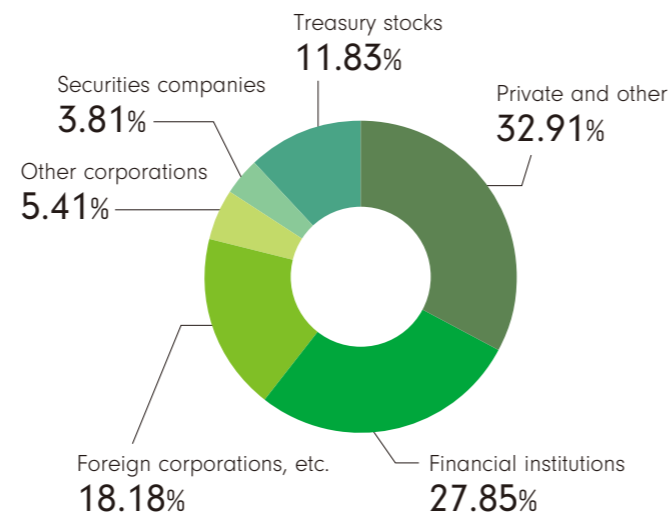
Annual shareholders' meeting: March

Administrator of the shareholder register:
Mizuho Trust & Banking Co., Ltd.
2-8-4 Izumi, Suginami-ku, Tokyo, 168-8507
Phone: 0120-288-324 (toll-free within Japan only)

Major Shareholders

	No. of shares (shares)	Percent ownership (%)
Sodick Co., Ltd.	6,310,577	11.83
Custody Bank of Japan, Ltd. (trust account)	3,725,700	6.98
The Master Trust Bank of Japan, Ltd. (trust account)	3,566,700	6.68
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,733,200	3.25
Custody Bank of Japan, Ltd. (trust account 9)	1,241,400	2.33
Sodick Business Partner Stock Ownership Association	906,300	1.70
TF Co., Ltd.	895,000	1.68
Sumitomo Mitsui Banking Corporation	850,000	1.59
Hiroko Furukawa	800,000	1.50
Kenichi Furukawa	788,101	1.48

Share Distribution by Holder



1 Head Office/
Technical Training Center



2 Miyazaki Office



3 Fukui Office



4 Kaga Office
(multi-factory)



5 Sodick America Corporation
(San Jose)



6 Shanghai Sodick Software
Co., Ltd.



7 Suzhou Sodick
Special Equipment Co., Ltd.



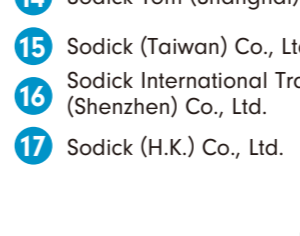
8 Sodick Amoy Co., Ltd.



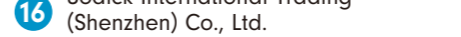
9 Sodick (Thailand) Co., Ltd.



10 Sodick, Inc. (Chicago)



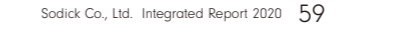
11 Sodick Europe Ltd. (U.K.)



12 Sodick Deutschland GmbH (Germany)



13 Sodick Electromechanical
(Shanghai) Co., Ltd.



14 Sodick Tom (Shanghai) Co., Ltd.



15 Sodick (Taiwan) Co., Ltd.

16 Sodick International Trading
(Shenzhen) Co., Ltd.

17 Sodick (H.K.) Co., Ltd.



18 Sodick Enterprise (S.Z.) Co., Ltd.



19 Sodick Korea Co., Ltd.



20 Sodick Vietnam Co., Ltd.



21 Sodick Philippines Inc.



22 PT Sodick Technology Indonesia



23 Sodick Singapore Pte., Ltd.



24 Sodick Technology (M) Sdn Bhd.



25 Sodick Technologies India Pte., Ltd.

Sodick IR Site



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<https://www.sodick.co.jp/en/ir/>

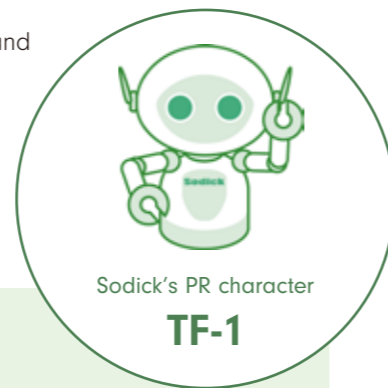


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