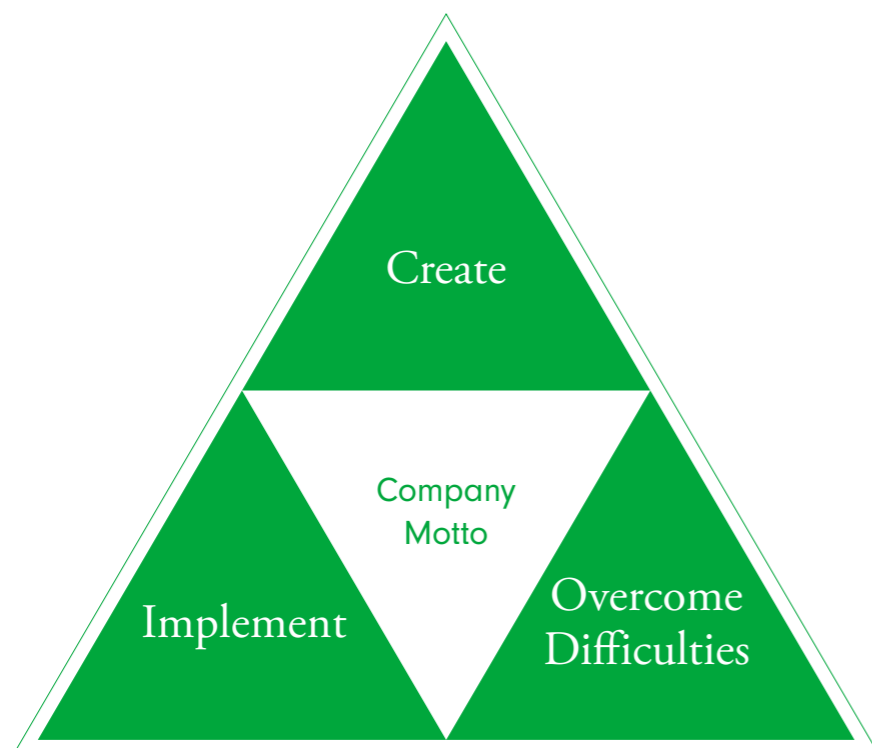




Sodick Co., Ltd.

Integrated Report 2021



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.

Report Scope

Sodick Co., Ltd. and its consolidated subsidiaries

Report Period

This report covers performance for the fiscal year ended December 2021. 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.

INDEX

2	Greetings
4	DNA/Values
4	Sodick’s Value Creation Process
6	Examples of Creating Value
10	Strategy/Business Model
10	President’s Message
14	Long-term Management Plan/ Medium-term Management Plan
16	Message from Director in Charge of Finance
18	Financial Highlights
19	At a Glance
20	Strategy of Each Segment
20	• Machine Tool Segment
22	• Industrial Machinery Segment
24	• Food Machinery Segment
26	• Other Segments
27	Digital Transformation (DX) Initiatives
28	Foundation for Creating Value
28	Sustainability Message
30	Basic Policy and Structure for Sustainability
31	List of CSR Initiatives
32	Environmental Initiatives
36	Social Initiatives
39	Supply Chain Initiatives
40	Management Team
42	Dialogue between External Directors
45	Corporate Governance
49	Risk Management
50	Ten-Year Financial Summary
52	Consolidated Financial Statements
52	Consolidated Balance Sheets
54	Consolidated Statements of Income
55	Consolidated Statements of Comprehensive Income
56	Consolidated Statements of Changes in Equity
57	Consolidated Statements of Cash Flows
58	Corporate Overview/ Stock Information
59	Group Network
60	Responsibility for Publication



To continue moving forward in an age when the future cannot be predicted, we are returning to our origins of “contributing to our customers’ manufacturing operations” with the aim of creating a new Sodick Group.

The spread of COVID-19, which began in early 2020, has caused major damage to global society and the world economy, and its effects continue to be felt. This has brought about changes in markets and lifestyles, and going forward, instead of returning to the past, we should expect a shift toward the creation of a new, post-COVID-19 order and values.

The Sodick Group, which operates businesses for customers in the manufacturing industry around the world, was also heavily affected by lockdowns and factory stoppages in various countries during 2020, but we saw a major recovery in demand in various markets in 2021. Nevertheless, we have seen over the past few years that increasing economic globalization has meant that no matter where in the world they occur, the effect of disasters, incidents, and problems is not limited to one country or economic region, but instantly spreads around the world, and we cannot escape those effects.

In this kind of turbulent business environment at a time when we cannot predict the future, we cannot stand still and watch, and urgently need to create a new Sodick Group through major restructuring to move forward. We have decided to return to the determination with which we began at our founding and continue to offer strong support for the evolution and growth of our customers’ manufacturing, while monitoring various risks including the global environment, natural disasters, and geopolitical issues.

Our aim is to create value that contributes effectively to the realization of a sustainable society. I hope that you will look forward to it as we pursue these unprecedented challenges.

Kenichi Furukawa
President and Representative Director

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/
Development
Philosophy

To contribute to our customers' manufacturing operations,
"We create it if it does not exist."

Sodick's value chain supports the world's manufacturing

Input Management Capital

- Human capital**
No. of employees Consolidated: 3,683 (Non-consolidated: 924) (As of December 31, 2021)
- Social-related capital**
Sales in 51 countries and regions Overseas sales ratio: 70.8% (FY12/2021)
- Financial capital**
Equity ratio: 55.2% D/E ratio: 0.49 times Net cash position: 11.5 billion yen (FY12/2021)
- Intellectual capital**
R&D investment: 3.2 billion yen (FY12/2021)
- Manufacturing capital**
Facility investments: 3.4 billion yen (FY12/2021)

Sodick's Strengths

- Leading global share of EDM market
- Global production structure/ Support network
- Originality/ Core technologies/ R&D capabilities
- Total Manufacturing Solution
- Technological capabilities/ Number of intellectual properties

Promoting innovation at customers and in society

- Environment**
 - Strengthen business bases to promote sustainable growth
 - Environmentally friendly products
 - Reducing environmental impact of business
- Social**
 - Health and productivity management
 - Promotion of diversity
 - Cultivation of core human resources
- Governance**
 - Corporate transformation
 - Strengthening the Board of Directors oversight function
- DX**
 - Service expansion
 - Increased operational efficiency

Outcome

Output

- Financial capital**
Net sales: 75.1 billion yen Overseas sales ratio: 70.8% (FY12/2021)
- Manufacturing capital**
EDM unit sales: 3,606 (FY12/2021)
- Natural capital**
CO₂ emission volume (business sites in Japan): 7,500 tons (FY12/2021)

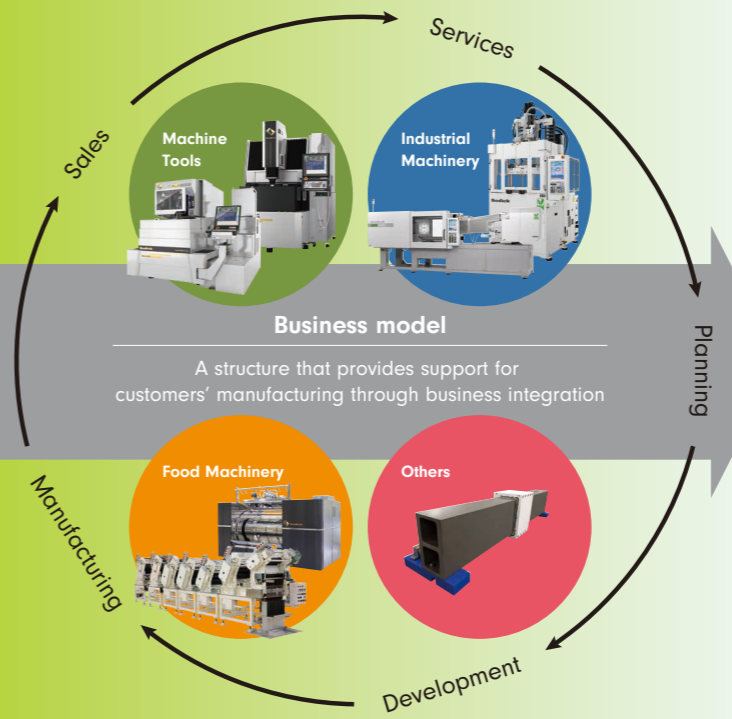
Long-term Management Plan

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



- ### Sodick's materiality (important issues)
- Contribute to evolving manufacturing
 - Address environmental management
 - Promote diversification of human resources
 - Strengthen governance

Sodick Health and Productivity Management Declaration

Intellectual capital
No. of patents acquired: 686 (As of December 31, 2021)



Goals

Contributing to the realization of a sustainable society through manufacturing

Contribution toward achievement of SDGs



Examples of Creating Value

Toward the Future

Providing customers with constantly progressing manufacturing.

Sodick's technological development capabilities continue to achieve production innovation.



We also have a plan for proactive engagement in environmental activities. These activities include a shift to natural sources for roughly 10% of the entire Group's energy consumption, changing to recycled materials and less environmentally harmful chemical substances, and Companywide ISO 14001 training.

Aiming to contribute to customers' new manufacturing operations by maintaining the customer orientation that drives growth

As a leading company in EDMs, Sodick contributes to production innovation for customers around the world with the functionality and quality they seek. Over the roughly half century since our founding, manufacturing has undergone continuous mechanization and automation, and today we are in a so-called fourth industrial revolution, with technological innovation advancing in areas including IoT and AI. The diversification of needs for products and services has become a major trend, with growing demand for product customization even in machine tools, as customers that in the past produced large volumes of standardized products now seek to manufacture a wider range of products in small lots. Customers' manufacturing sites have reached a stage where simple labor is becoming increasingly automated, and the efforts of manufacturing staff are being redirected toward more creative operations.

A base in Thailand closely connected to global markets—Sodick's main production center

Sodick (Thailand) Co., Ltd. is the Group's core center for production. At a time when production in Asia was said to be difficult in terms of the high precision and rigidity sought in machine tools, Sodick was one of the first companies to decide to build a factory in Thailand, and our first factory commenced operations in 1990. Since then, we have been expanding our production and development capacity for main products and building up a track record. Through thorough sharing of information with technical centers in various markets around the world, we have built a structure that can promptly respond to the increasingly diverse requests of customers worldwide with an R&D center in Thailand that feels very close to customers.

Further expanding Thailand Second Factory in anticipation of machine tool needs in response to 5G and EVs

Operations at the extension of Building No. 2 at Sodick (Thailand)'s Second Factory began in January 2022. This facility anticipates needs for more advanced EDMs and injection molding machines that are compatible with the more sophisticated and higher precision manufacturing required in areas including 5G telecommunication networks and EVs. At the same time, Yoichi Sakai took office as Sodick (Thailand)'s new president.

"A major strength of our factories in Thailand is that we have built a foundation for machine design, which makes it possible to respond flexibly and quickly to the special specifications necessary for casting changes. The facilities are also able to produce large as well as high-end machines, allowing for a wide range of concepts and designs. In addition, my predecessor and I both came from technical backgrounds and have had strong ties with technicians at R&D centers around the world, giving us an optimal cooperative framework for any theme."

Another major advantage is that having a firmly established presence in the Nava Nakorn Industrial Estate in the northern suburbs of Bangkok for roughly 30 years, we are surrounded by 350 to 400 top-grade suppliers, including machining and sheet metal processing companies, and have built a robust supply chain.

"Together with suppliers and customers, the factories in Thailand are engaged in environmental activities including the analysis of waste materials and conversions to recycled materials. We are also using these extensive facilities to level out production with the aim of creating a structure that contributes to a favorable balance in terms of quality, costs, and delivery times. By making maximum use of the advantage of the factories being fully integrated—from product planning to design, development, and manufacturing—I want to make a solid contribution to our customers' new manufacturing operations."



Yoichi Sakai
President
Sodick (Thailand) Co., Ltd.

Sodick (Thailand) Co., Ltd.
First Factory:
Nava Nakorn Industrial Estate (top)
Site area: 97,600 m²
Total floor area: 32,000 m²
Second Factory:
Chumnumsoy Industrial Park (bottom)
Site area: 60,000 m²
Total floor area: 18,102 m²
Products manufactured:
EDMs, injection molding machines,
various industrial machinery, etc.
ISO 9001 and ISO 14001 certified



“A machine that creates innovation” for customers.

Sodick has achieved a complete metal mold with

one 3D printer.

Conventional technological research is an obstacle to the introduction of new technologies

Japanese manufacturing has a history of building quality through *kaizen* (improvement), made popular by Toyota Motor Corporation, and Japanese quality is renowned the world over. At the same time, even though Japan has made major achievements from accumulated, ongoing, technological research at work sites, the country trails others with regard to introducing new technologies. Pursuing the challenge of new technologies is nevertheless indispensable for enhancing product competitiveness.

“Conventional manufacturing has taken for granted starting with materials that have flat or three-dimensional shapes, and cutting and shaving those materials into a desired shape. 3D printers are a technology that has overturned that conventional thinking. 3D printers use the exact opposite method: creating shapes by adding materials instead of removing them. Because designers and engineers start from zero when acquiring expertise, quality through conventional methods cannot be guaranteed. This has been a major hurdle for the introduction of new technologies.”

“If only a metal mold could be made with one metal 3D printer.” Changing the game with development of the world’s first SRT method

Sodick has been working on the issue of introducing metal 3D printer technology at manufacturing sites since 2014.

“We are not looking for ‘*kaizen* (improvement)’ in metal 3D printers, but rather for ‘machines that create innovation’ to bring a different perspective to manufacturing. This would make it possible to achieve features like lightweight design, lattice structures, and 3D internal structures that have not been possible with conventional methods. There are major obstacles in actually making these components and metal molds, however, and even using a powder bed fusion*1 metal 3D printer, which produces the highest precision, the precision is not the same as a metal mold. The process of laminating using a laser to melt and solidify metal powder one layer at a time is like welding, and the very high temperatures mean that thermal stress and deformation cannot be avoided. With previous machinery, multiple processes using different machines needed to be carried out on the molded object to create a finished product.”

Being able to make a metal mold using just one metal 3D printer would improve onsite efficiency dramatically. Sodick continued to work on this issue, and in 2019 developed the SRT method*2 as the world’s first method that curtailed thermal stress and deformations. This made it possible to make a high-precision metal mold with one metal 3D printer.

Then, in the fall of 2021, we released the LPM325S, a metal 3D printer that could use multiple materials, unlike the previous models that were limited to one material per machine.

“Since the release of the OPM250L, Sodick has resolved numerous customer issues by integrating the SRT method, prototype solutions, and specialized molding machines. We are currently working on online videos and live demonstrations to allow customers to experience the joy that is achieved when an item is molded with a 3D printer. Going forward, we hope to be a company that works with customers to make products that did not previously exist.”

*1 Powder bed fusion: A method in which metal powder is spread out and a laser is used as a heat source to melt and solidify the part to be molded.

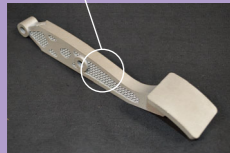
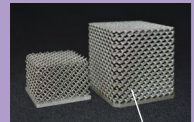
*2 SRT method: An approach that regularly releases stress before it builds up excessively. Simple heat treatment is conducted inside the molding chamber at regular intervals to stabilize the internal structure and prevent cracks on the surface.



Itaru Matsumoto

DDM Processing Technology Section
Advanced Machining Technology Department

Sample of a lattice structure



Sample of a brake pedal molded with an internal lattice structure

Lattice structure is a complicated three-dimensional lattice shape that can only be molded using a metal 3D printer. A lattice shape reduces the volume, making it possible to reduce the weight and amount of materials used.



Cutting and machining process with a metal 3D printer

Applying linear motor technology to food machinery for higher speed, precision, and energy savings

Demand for precooked side dishes and frozen foods is growing amid the shift to new lifestyle patterns that include staying in and eating meals at home. Food production sites are also facing growing labor shortages, while at the same time hygiene has become increasingly important in areas like preventing contamination of food products from people involved in production.

Sodick has handled noodle-making machines for more than 30 years, going back to the predecessor noodle-making machine company TOM CO., LTD., and based on noodle-making technology, we have developed technologies that incorporate food science to analyze food products’ elasticity, texture, structure, and ingredients. Safety and hygiene are extremely important in food production, and we are contributing to automation, labor savings, and sterilization of production lines, as well as the constant pursuit of more delicious flavors.

“I consider technological synergies with our core business to be one of our strengths that other companies cannot imitate—for instance, using the magnets of the linear motors used in EDMs in food machinery like noodle-mixing units and equipment that extracts stock by sending an electric current through food materials. We not only contribute to energy and cost savings in production lines by reducing production times and processes, but also improve the shelf life of food products through pressure sterilization and reduce food waste, giving this technology unique features from the perspective of the Sustainable Development Goals. These strengths are in high demand from Japanese food manufacturers, and we are currently developing and manufacturing products for food products in general, including confectionary, cooked rice, and precooked side dishes in addition to noodle-making machines.”

Providing food machinery perfected in the Japanese market in best condition to customers in Greater China and Asia

With rising standards of living in Asian countries, Japanese food is gaining attention for its strong reputation for flavor and safety. With growth in chilled logistics infrastructure, supermarkets, and convenience stores throughout Asia, we expect demand to grow going forward.

“We are developing a market targeting leading food manufacturers. Sodick’s equipment is known for its high quality and total after-sales maintenance across entire lines, which is good for customers. Customers that have introduced our main products for sterile-packed cooked rice production systems have told us that it not only has drastically fewer mechanical problems, but using less than one-half the amount of steam also significantly reduces running costs and environmental impact.

Going forward, we will increase our after-sales maintenance staff so overseas customers can always use our products in their best condition, while also quickly developing maintenance systems that use IoT and AI, as we work with customers to spread food technology around the world.”

Using Sodick’s technological strengths,

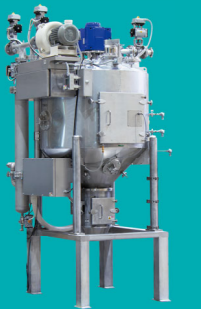
we are developing new food

processing technologies to bring the “deliciousness”

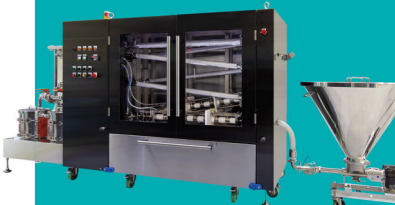
and “safety” of Japanese food to the world.



High-temperature pressure sterilizer (cooked rice, boxed meals, precooked side dishes)
Container and rice are sterilized simultaneously and quickly using saturation vapor heated to more than 100°C



Granule powder cooling system (noodles, confectionaries, breads)
Flour is cooled to a uniform temperature prior to mixing in the production process



Soup essence (broth) extracting machine (soup, stock)
Makes stock from fish and shellfish, pork bones, chicken bones, etc. Electric controls extract large amount of flavor without bitterness



Hisahiko Jinno
Food Machinery Division

President's Message



Kenichi Furukawa
President and Representative Director

As we transition to a new structure, we are carrying out three major reorganizations to realize the creation of a new Sodick.

Looking back on the fiscal year ended December 2021

Used DX to expand the sales structure in preparation for recovery from the COVID-19 pandemic, and achieved sales and profit growth

The Sodick Group launched the "Next Stage 2026 ~Toward Further Growth~" long-term management plan in 2019, which builds on our founding spirit of "Create (So)," "Implement (di)," and "Overcome Difficulties (ck)" to refine technologies that will lead to a rich future and pursue the challenge of achieving a sustainable society through manufacturing. During the fiscal year ended December 2021, we continued for a second year to implement measures to prevent the spread of COVID-19, while also using digital transformation (DX) to expand our sales structure for customers and emphasizing DX in internal operations to prepare for a market recovery. From the first quarter, we saw a sharp rebound in demand in Greater China for products related to automobiles, electronic parts, 5G telecommunications,

Results for FY2021/Forecasts for FY2022 (million yen)

	FY12/2021		FY12/2022	
	Results	Income margin	Plan	Income margin
Net sales	75,174	—	77,900	—
Operating income	6,813	9.1%	7,200	9.2%
Ordinary income	8,588	11.4%	7,200	9.2%
Profit	6,591	8.8%	5,700	7.3%

and semiconductors, and in March 2021 we recorded a monthly record EDM order volume of more than 600 units. Over the rest of the year, there was a remarkable pickup in demand from Europe, the United States, Asia, and Japan. As a result, net sales for the year rose 29.5% from the previous fiscal year, to 75,174 million yen, surpassing the upwardly revised forecast announced with second-quarter results on August 6, 2021. Operating income also grew significantly, rising 267.8% from the previous fiscal year, to 6,813 million yen, due to higher profitability from the increase in production volume, despite increases in sales commissions and transportation costs associated with increased sales, personnel expenses, and sales promotion and advertising costs associated with exhibitions.

For the fiscal year ending December 2022, we are forecasting a further economic recovery and return to normal, but expect the economic outlook to remain

uncertain in light of the shortages of semiconductors and other parts that has continued since 2021, sharply higher crude oil prices, and increased geopolitical risk including the situation in Ukraine. In particular, the shortage of parts is seen becoming more severe and prolonged, so we are taking a multifaceted approach to minimize lead-time delays for products, including upfront purchases of market inventories in Japan and overseas, diversifying our suppliers, and developing new sources of procurement. Against this backdrop, for the fiscal year ending December 2022 we are forecasting a slight decline in net sales in the machine tool segment, but increases in the industrial machinery, food machinery, and other segments. As for operating income, we are planning for the operating income margin to be roughly flat compared with the previous fiscal year, despite anticipated increases in personnel expenses and expenses related to exhibitions.

Corporate transformation (1)

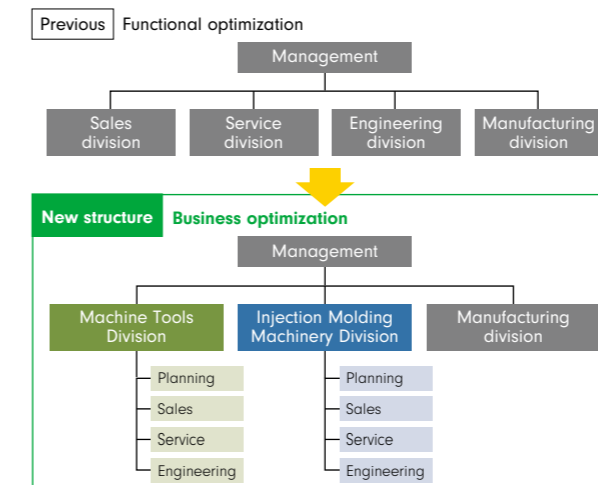
Returning to Sodick's origins and identifying issues in the previous function-aligned organization

The idea that we need to carry out a corporate transformation had gradually become clear to me. Looking back at the Group's recent history, we steadily rebuilt operations after the market crash associated with the 2008 global financial crisis, and listed on the First Section of the Tokyo Stock Exchange in 2015. Since then, we have expanded our business while overcoming rises and falls in demand, including the slowing of the Chinese economy. When I took office as President in 2018, I used that opportunity to draw up a vision for the form the Group should take, and we embarked on

a new start with the targets and strategies in the "Next Stage 2026" long-term management plan. Nevertheless, during the fiscal year ended December 2019, the first year under the plan, trade friction between the United States and China disrupted the manufacturing market, and in the following year, the fiscal year ended December 2020, we could not avoid the effects of the global COVID-19 pandemic, resulting in the Group recording two consecutive years of challenging business results. Will we be able to achieve our 2026 targets if we continue on this course? And regardless of whether we do achieve these targets, I began to think about whether we would be able to demonstrate to stakeholders our growth as a company independent from economic upturns and downturns.

This caused me to think back to what kind of company Sodick is in the first place. Our founder, Toshihiko Furukawa, established Sodick with the aim of using EDM technology to "resolve customers' manufacturing issues," and the Company developed the world's first NC die-sinker EDM equipped with a microcomputer. Sodick's reason for existing is to "contribute to our customers' manufacturing operations," and to do this, we developed superior products and provided services and support to resolve issues at customers' manufacturing sites. Before we can think about our spirit of development of "We create it if it does not exist," we need to remember that this is to "resolve customers' manufacturing issues." The technology does not come first; we are a company where customers' issues come first. When I thought back to that starting point, I began to wonder if our existing business structure, organized along the functions of planning, development, manufacturing, sales, and

Organization for machine tools and injection molding machines



services, was aligned with our goals for the future.

For example, the key performance indicators (KPIs) we use to measure the results of employees' work are currently along the lines of "how many machines were sold" and "how much maintenance was done." These indexes, however, do not directly reflect our future objective of seeing "how much we have contributed to the evolution of our customers' manufacturing operations and to their growth." Our previous business structure did not accurately measure our "contribution to our customers' manufacturing operations," and as a result, Sodick was not able to demonstrate externally its own growth.

With this in mind, in October 2020 we established an office for transformation preparations. The office was staffed primarily by people who recognized the need for internal transformation, and they identified adverse effects and weak points in the previous function-aligned organization and inconsistencies in strategic execution, and what kinds of structure would enable us to achieve our target business, as they searched for the direction of

our transformation. The result was a proposal to pursue the challenge of creating a new business-aligned organization in which employees involved in the value chain of planning, development, manufacturing, sales, and service would come together to create value from a baseline perspective of resolving customers' issues. During 2021, the office became the business planning project for the shift to the new structure, and the new structure began fully functioning in January 2022 with the launch of the Machine Tools Division.

This two-year effort to consider the corporate transformation turned out to be more challenging than I had anticipated. There were a number of employees who were confused or opposed to being reorganized into one team by connecting organizations that had previously been completely divided vertically by functions such as development and services, but thanks to the great effort of project members working proactively toward the future, I am confident that Sodick has begun to take shape as a solid organization.

Corporate transformation (2)

Three transformations and reform of the governance structure setting a path for the new Sodick

With the transition to a new organizational structure, we are carrying out three major transformations to create a new Sodick. The first is the "brain" portion of what our business strategy should be. Sodick has specialized in EDMs that are fast and precise, but going forward, we will use DX to enhance convenience and service as we shift to value creation that addresses customer needs from a variety of perspectives including environmental considerations. We will also change the development of our products and services from the current "product-oriented" approach of "how do we make and sell superior products" to a "market-oriented" approach of using data collected from customer contact points to meet the needs of diversifying buyers, sellers, and the general public. This creation of value is our true aim, and I believe this will lead to a stronger company.

Second, we will pursue cross-cutting policies and projects within businesses to achieve close coordination across business divisions. We will abandon the mindset we have fostered through organizational optimization and create a new "nervous system" that connects divisions from the perspective of business optimization.

The third transformation is to take a new look at evaluations. Our aim should be to look at how to

grow our business. Instead of individual evaluations of production units, sales units, and number of service contracts, we will aim for target settings and progress management that encompass profit and loss, balance sheet, and capital efficiency perspectives as well as non-financial information. I realize that this will not be easy, but I also consider it essential for Sodick's future growth to set KPIs that are aligned with the Company's growth and to create a framework for visualizing this.

In addition, we will simultaneously work to reform the governance structure to achieve these major transformations in the execution structure. From April 2022, Representative Directors Yuji Kaneko and Keisuke Takagi became Executive Fellows focusing on management oversight and guiding and training the next generation. This is intended to clarify the separation of management execution and oversight functions and strengthen the functioning of the Board of Directors. We will also review the proceedings of Board meetings, which have previously devoted large amounts of time to reports from the execution side, to allow for ample deliberation of executive oversight and corporate strategy to enhance corporate value over the medium to long term.

Toward management that values people

"Sodick Health and Productivity Management Declaration" formulated, management taking the lead in implementation

In April 2017, an employee of Sodick developed depression as a result of overwork, and took his own life. This was recognized as a work-related death, and after discussions with the surviving family, we reached a settlement in July 2021. We would once again like to express our deepest apologies and sympathies to him and to his family. In addition, this sequence of events was reported in various newspapers in November 2021, causing major concern for our stakeholders.

I sincerely regret that the incident occurred, and since becoming President in 2018, I have been studying measures to ensure that such incident never happens again, and have been working proactively to reform work styles. To accelerate this effort further,

we have formulated a "Sodick Health and Productivity Management Declaration." This places the Company's highest priority on the mental and physical health of each and every employee, and clearly states management's resolve to take the lead in creating workplaces where all employees can work in good mental and physical health. Health and productivity management is by no means easy to achieve, however, and should be continued through a Plan-Do-Check-Act (PDCA) cycle over the long term. We intend to address all issues regarding workplaces and human resources as they occur, to become a company in which having human resources possessing a diverse range of personalities and values leads to growth.

In an unpredictable market

The Sodick Group will move forward for the sustainability of customers and society

As vaccines and medicines emerge, we expect the effect of the COVID-19 pandemic on economic activity to weaken and the situation to stabilize. Nevertheless, looking forward we face risks including geopolitical problems and natural disasters that could occur but cannot be foreseen, which makes it extremely difficult to forecast accurately what the "new normal" economic environment will look like. Against this backdrop, I believe it will be important to pursue a balanced management strategy that is objective and weighs risks and opportunities, while closely following social changes and even minor trends. To ascertain correctly the path we should take and move forward, Sodick began studying and analyzing materiality as an important management issue in 2021, and identified four areas that were approved by the Board of Directors: contributing to evolving manufacturing; addressing environmental management; promoting diversification of human resources; and strengthening governance. Going forward, we will consider the establishment of KPIs for sustainability as a way to address materiality in addition to financial indexes, to deepen and accelerate our work as a company to contribute to the creation of value for society.

In order for the Sodick Group to "support customers' manufacturing operations" on an ongoing basis, it is essential that the Company itself be "sustainable," and we consider it the role of the Company to implement specific measures to achieve it. I hope to pass on the

legacy of our predecessors to future generations by steadfastly moving forward based on our company motto to "Create, Implement, and Overcome Difficulties" without losing sight of our value as a company in any and all situations.

I hope that all of our stakeholders will look forward to Sodick's future, and ask for your continued support.



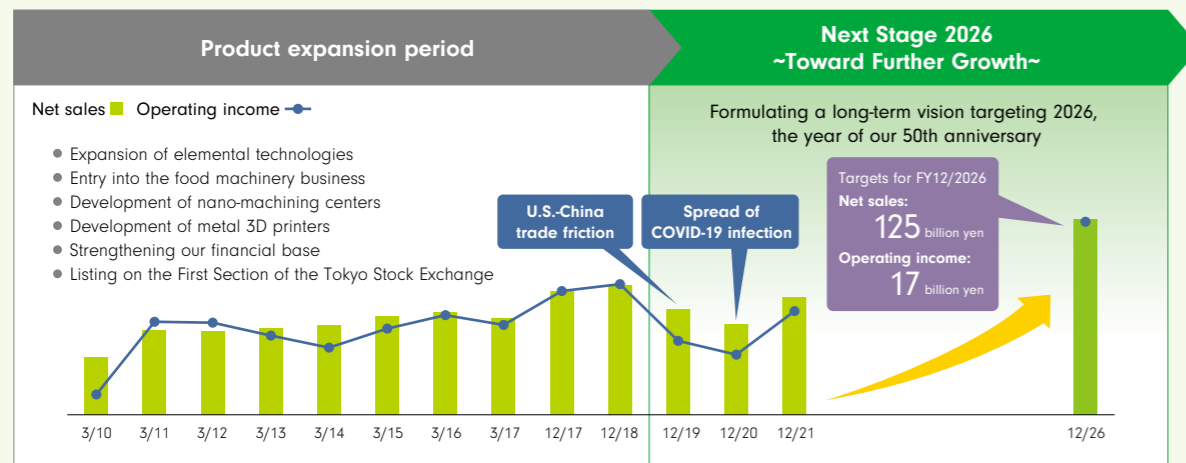
Long-term Management Plan/Medium-term Management Plan

Long-term Management Plan

> Next Stage 2026 ~Toward Further Growth~

As we approach 2026, the 50th anniversary of our founding, the Sodick Group has formulated the long-term management plan "Next Stage 2026 ~Toward Further Growth~", to refine our technologies based on our

founding spirit of "Create," "Implement," and "Overcome Difficulties" to pave the way toward a prosperous future, and pursue the challenge of achieving a sustainable society through manufacturing.



> Medium- to long-term business environment

As manufacturing evolves on a global level, we see facility investment-related demand continuing to grow. In particular, we expect our main customer sector, the automotive industry, to have increased needs for lightweighting and electrification of automobiles associated with the concepts of Connected, Autonomous, Shared/Service, Electric (CASE) and Mobility as a Service (MaaS), and a further shift toward non-gasoline-powered vehicles. We also see the continuing move toward facility investments with

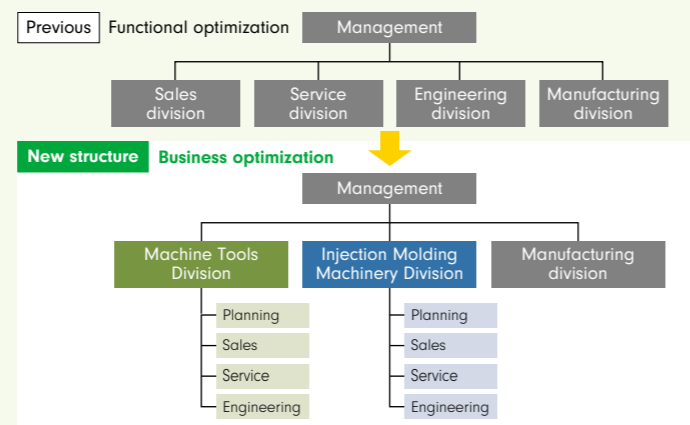
advances in AI and IoT and more sophisticated systems for the spreading use of 5G telecommunications, and expect even greater facility investment-related demand for high-precision equipment.

At the same time, the future outlook will remain uncertain from the effects of resurgences of COVID-19, global shortages of semiconductors and other parts, crude oil prices rising, and geopolitical risk including the situation in Ukraine.

> Corporate transformation to achieve long-term plan

We have restructured our business organization effective January 2022. To support customers' manufacturing operations with integrated value chains, we have shifted from a function-aligned organization to a business-aligned organization, giving each division authority and responsibility for the entire business to achieve optimal and prompt business execution. With each division responsible for integrated planning, development, manufacturing, sales, and after-sales service, we aim to use DX including business services and digitalization to provide total solutions.

Organization for machine tools and injection molding machines



Medium-term Management Plan

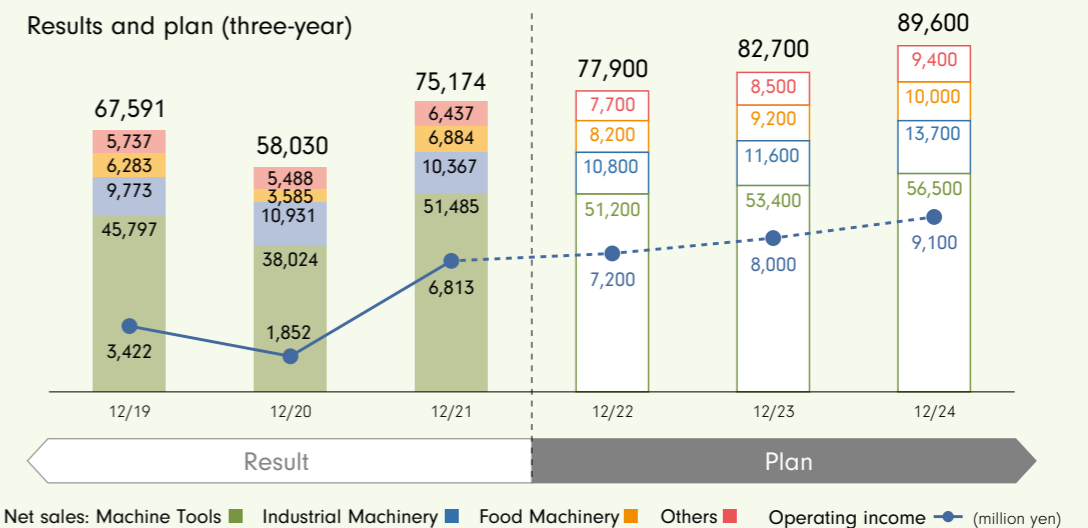
> Medium-term management plan (three years from 2022 to 2024)

To achieve the long-term management plan, we have formulated a medium-term management plan for the three years beginning with the fiscal year ending December 2022, and measures under this plan are being developed at each business segment.

Medium-term management plan targets-2024

Net sales: **89.6** billion yen
Operating income: **9.1** billion yen

* Please refer to pages 20-26 for information on management strategy of each segment.



> Strengthening our business bases

Environment

- Promotion of environmentally friendly products**
 - Development of products that reduce greenhouse gas emissions and waste
- Reduction of environmental impact caused by business activities**
 - Reduction of environmental pollutants
 - Visualization of efforts to reduce environmental impact and save energy, and dissemination of information
 - Strengthening measures for carbon neutrality
 - Response to TCFD recommendations

Social

- Health and productivity management**
 - Establishment of a health and productivity management promotion system
 - Strengthening initiatives to maintain and promote employee health
- Promoting diversity**
 - Recruiting and maintaining diverse human resources
 - Creating comfortable working environment with diverse working styles
- Development of core human resources**
 - Human resource development system, reinforcement of training, development of next-generation leaders

Governance

- Corporate transformation**
 - Transition from function-aligned organization to business-aligned organization
 - Establishment of bases for making business solutions
- Strengthening oversight function of the Board of Directors**
 - Strengthening the oversight function of the Board of Directors through reorganization of the meeting body

DX

- Expansion of services**
 - Enhancement of communication with customers and expansion of services using CRM systems
- Operational efficiency**
 - Faster and more advanced core and business systems
 - Enhancement of production efficiency, sophistication, and data visualization through the use of production management systems
 - Expanding the use of RPA

Message from Director in Charge of Finance



Hirofumi Maejima

Executive Managing Director,
Corporate Division

Q 1 – Please recap for us Sodick’s investment and financing activities for the fiscal year ended December 2021.

In 2020, we restricted investments to those of the highest priority because of our sluggish business performance, but our facility investments in 2021 were above plan at 3,450 million yen, and included the expansion of the Second Factory in Thailand and the construction of a new plant in Xiamen, China, as well as investment for automation of production lines and labor savings in the precision dies and mold operations. Investment in R&D

was roughly flat with the previous fiscal year.

In terms of financing activities, following the cancellation of two million treasury shares in February 2021, we began purchasing treasury shares from November 2021 and in December we canceled all 500,000 shares. Going forward, we will flexibly carry out capital policies with a view toward boosting the share value.

Carrying out management with an awareness of capital efficiency and investment for sustainable growth. Aiming to maintain financial soundness while providing stable and flexible shareholder returns.

Q 2 – Please explain the capital policies under the long-term management plan.

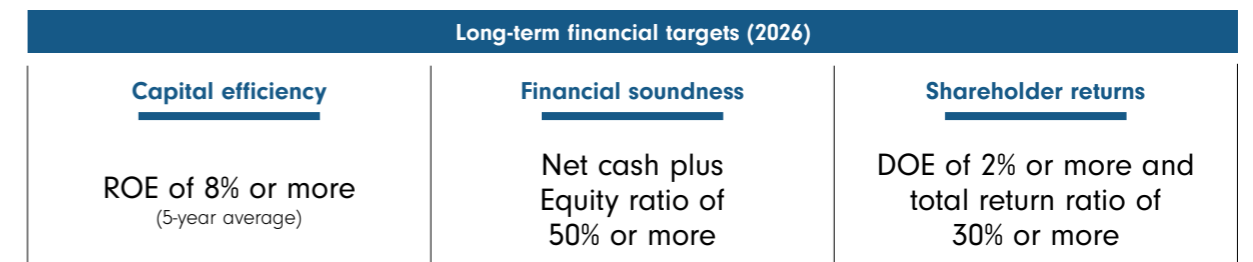
The machine tool segment and industrial machinery segment have the risk factor of being significantly affected by trends in demand for facility investments, and therefore, since the 2008 global financial crisis, we have worked to strengthen our financial position through measures including maintaining ample cash on hand to be prepared for changes in the economy. Upon the April 2021 redemption for convertible bond-type bonds with subscription rights to shares, more than 90% were converted to new shares, and this significantly improved the Group’s financial position with a positive net cash position, a debt-to-equity ratio of 0.5 times or lower, and an equity ratio above 55%, a level consistent with major companies in the industry. Going forward, our aim is to stabilize our financial base while maintaining a positive net cash position and the equity ratio above 50%.

In doing this, along with business management with an awareness of capital efficiency, we intend to carry out investment for sustainable growth and have set a target of return on equity of 8% or more (five-year average basis).

As an R&D-oriented company, the Sodick Group’s R&D budget is not tied to sales, and we have continued

to undertake necessary research. Our policy is to invest proactively for technological development that looks 10 to 20 years into the future. We will further strengthen areas where growth is anticipated, including metal 3D printers, machining centers, injection molding machines, and food machinery (new products other than noodle-making machines and cooked rice production systems), as well as our development of environmentally friendly products that reduce greenhouse gas emissions and waste materials.

In terms of investment to increase production capacity and streamline operations, we are investing in DX at each plant and in the new plant in Xiamen, China, which is scheduled for completion during 2022, and we also plan to manufacture injection molding machines and to increase production capacity for food machinery. 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. Going forward, we will also strengthen production capacity at the food machinery segment at the Kaga Office.



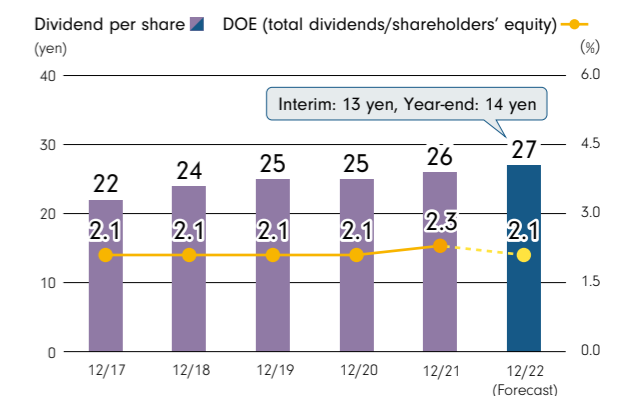
Q 3 – What is the policy regarding shareholder returns?

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%. In addition, to increase returns to shareholders and raise the share value, we are introducing a total return ratio* as a new index that is tied to business performance for more flexible measures for returns to shareholders, and have set a target of at least 30% for the total return ratio from 2022.

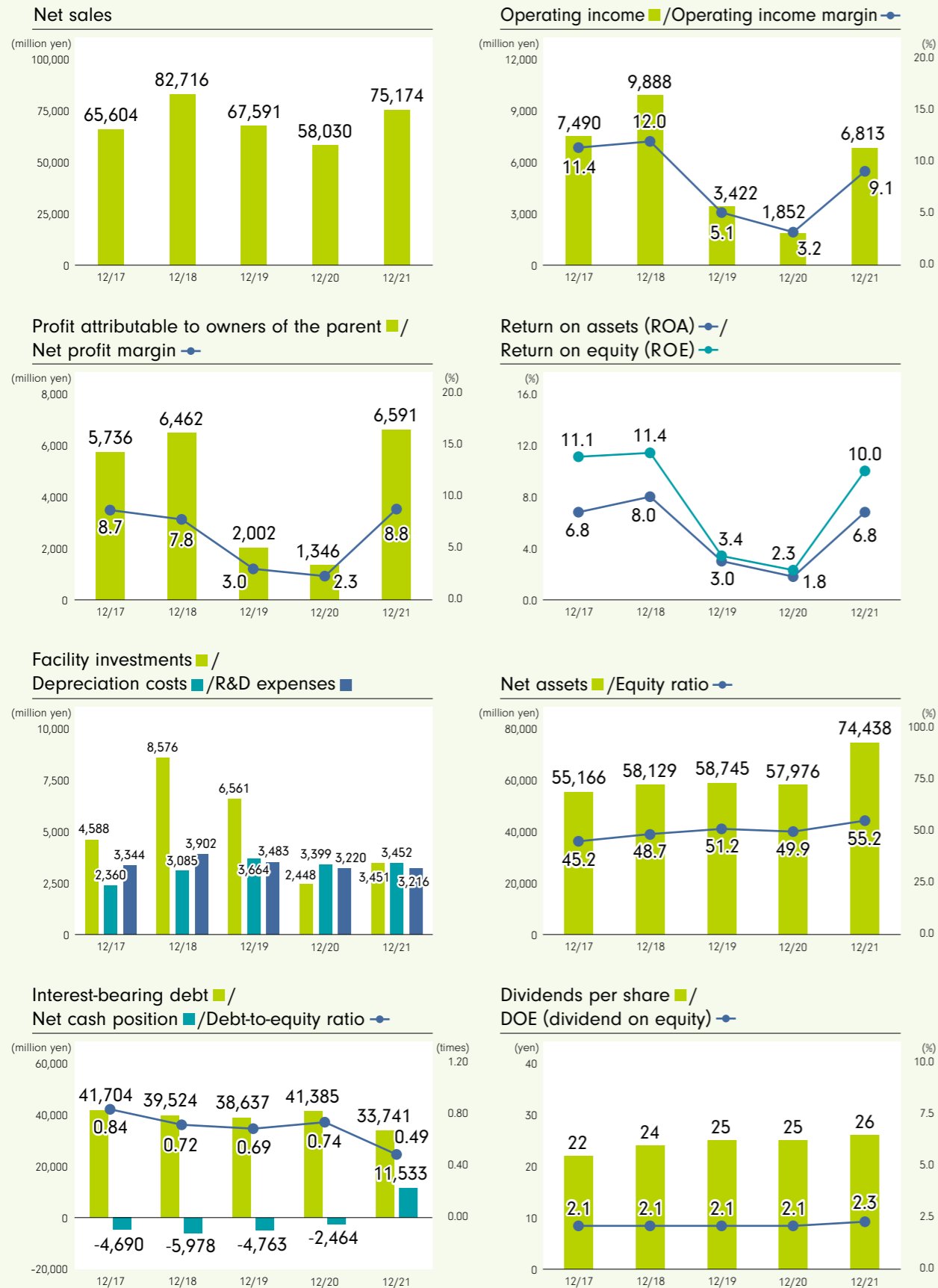
Despite an unpredictable business environment, we will work diligently to achieve these long-term financial targets and enhance corporate value, and provide returns to stakeholders.

* The total return ratio is the total amount of dividend payments and treasury share purchases, divided by profit attributable to owners of the parent.

Shareholder returns and dividend forecast



Financial Highlights

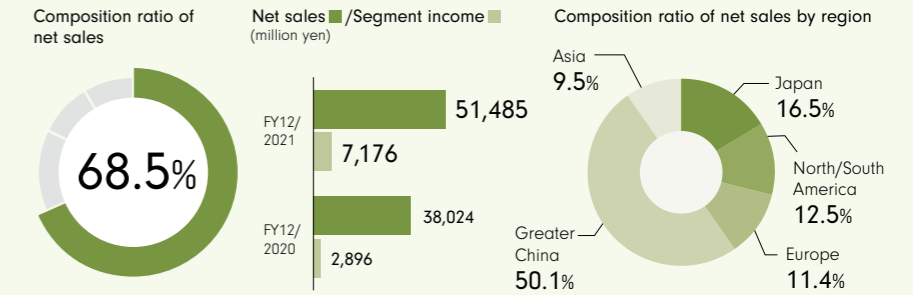


* Due to the fiscal year-end change, FY12/17 consolidated financial results comprise 9 months (from April to December 2017) of results for companies whose fiscal year ends on March 31, and 12 months (from January to December 2017) of results for those whose fiscal year ends on December 31, resulting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

At a Glance

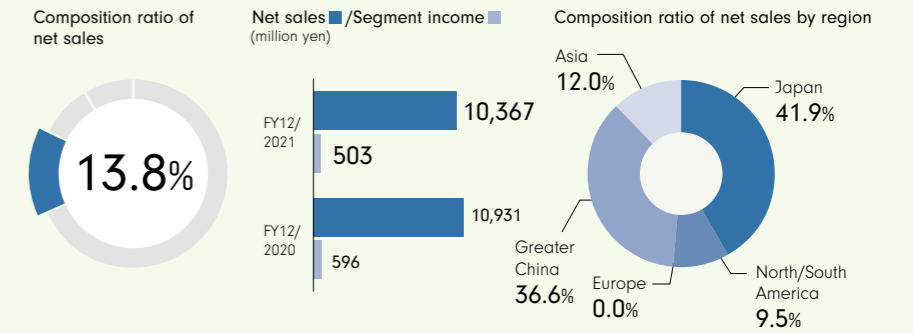
Machine Tool Segment

Net sales rose from the previous fiscal year due to increased demand from the automotive, electronic parts, 5G-related, and semiconductor-related sectors in Greater China, as well as a continued rebound in demand in Japan, Europe, the United States, and Asia. Segment income also rose due to factors including increased plant utilization rates from growth in sales volumes.



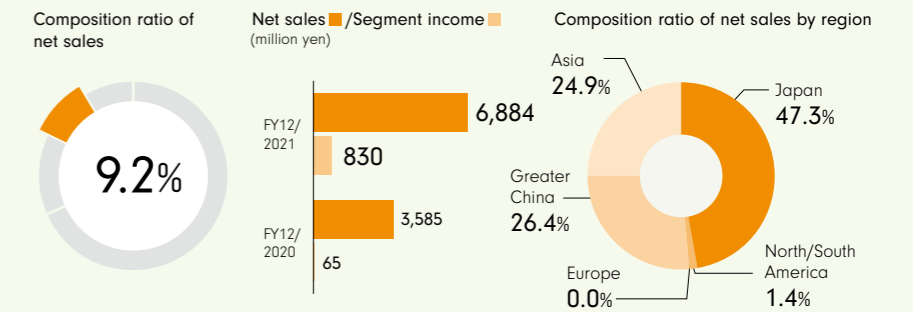
Industrial Machinery Segment

Strong medical-related sales in North America continued, and sales to the automotive and electronic parts sectors grew in Japan. On the other hand, there was a lull following the previous fiscal year's strong sales related to lenses in Greater China, resulting in a decrease in net sales from the previous fiscal year.



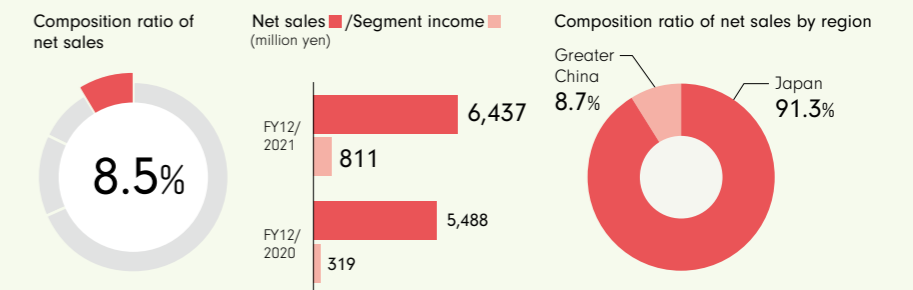
Food Machinery Segment

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 continued, and with overseas sales of noodle-making machines and cooked rice production systems, net sales increased from the previous fiscal year.



Other Segments

Demand for ceramics grew due to increased demand for information and communications equipment, and in precision dies and mold operations, despite an overall slowdown in demand from the automotive industry due to shortages of semiconductors, the number of items produced increased, resulting in an increase in net sales from the previous fiscal year.



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.

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

<p>Opportunities</p> <ul style="list-style-type: none"> 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 Increased needs for labor savings, automation, and environmental considerations 	<p>Risks</p> <ul style="list-style-type: none"> Maturation of EDM market Fluctuations in demand from changes in economic environment Large fluctuations in foreign exchange markets High raw material costs and parts shortages Prolonged COVID-19 pandemic Geopolitical risk
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Business structure

Shifting to new business structure to support customers' manufacturing operations with integrated value chain

As the manufacturer with the largest share of the global market for NC EDMs, we have overseas plants in Thailand and China, and a sales and support network with locations in 13 countries across North America, Europe, China, and Asia. To achieve our long-term vision, we are strengthening sales in India, Mexico, and Europe. From 2022, we have moved to a new business structure with the aim of strengthening our development capability from a customer perspective, and providing manufacturing and value creation with integrated planning, development, manufacturing, sales, and service. We are focusing on deepening cooperation at the global level to strengthen our quality management system, promoting DX, and cultivating human resources.

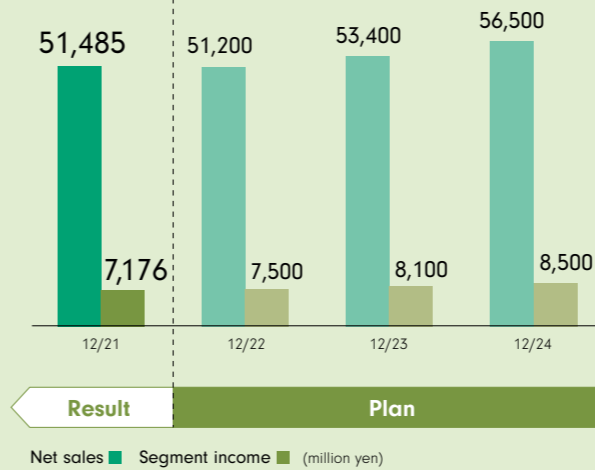
Business strategies

Aiming to grow core business, create new growth drivers, and achieve remote maintenance that has value for customers

The machine tool segment is Sodick's main business, and holds an important position in the long-term management plan. In the maturing EDM market, it will be important to enhance further the functionality of our mainline die-sinker EDMs and wire-cut EDMs, and we will continue to develop products in response to needs for automation including automated transport and internal measurement. We will also address sectors where growth is expected, focusing on the development of small-hole drilling EDMs, for which there is demand from the aerospace industry in particular. In addition, our technology strategy centers on enhancing the functionality and operability of metal 3D printers, where large growth can be expected, expanding sales of precision machining centers, and developing environmentally friendly products.

In terms of sales, we will pursue comprehensive business services, digitalization, and solutions. Given the many regions overseas where it is difficult to provide on-site services, going forward we will work to strengthen our after-sales service business in Japan and overseas, including the use of technologies like IoT to introduce remote maintenance. As the practical implementation of remote maintenance is already possible, we will work to create proposals and show customers, in ways that are easy to understand, their benefits including preventive maintenance and minimizing downtimes. Looking further into the future, we are considering analyzing information obtained from customers around the world to develop digital marketing that provides information and services that have value for various individual customers.

FY12/2021 results and three-year targets under medium-term management plan



LPM325S, high-speed building metal 3D printer
Wins the 64th Best 10 New Product Awards, Main Award (2021)

Review of the fiscal year ended December 2021 and measures going forward

Achieved sales and profit growth on solid automotive, electronic parts, 5G telecommunications, and semiconductor sectors in Greater China, and recovery trend in Japan, Europe, the United States, and Asia

In addition to growth in demand from the automotive, electronic parts, 5G telecommunications-related, and semiconductor-related sectors in Greater China, demand rebounded in Japan, Europe, the United States, and Asia, resulting in an increase from the previous fiscal year in net sales. Segment income also rose by a wide margin due to factors including higher plant utilization rates associated with increased sales volume. Nevertheless, procurement of semiconductors and other parts and materials was strained, and despite placing orders for parts and materials in advance from the beginning of 2021, supply shortages continue and there are concerns of prolonged lead times.

In terms of products, we released the LPM325S, metal 3D printer, which contributes to improving utilization rates by significantly reducing the time required for powder exchange and maintenance work.

Expanding both remote and in-person contact with customers to cultivate new needs and contribute to customers' manufacturing operations

In February 2022, we launched the Sodick Connect internet channel to connect Sodick with customers using our machine tools. Going forward, we will further expand our contact with customers, both remote and in-person, to identify customer needs in greater depth and carry out development that responds promptly to those needs. Sodick's machine tools have the unique feature of using linear motors for high-speed, high-precision processing, but we believe it is not necessarily important to focus on processing speed alone, and consider it important to expand the sectors in which these features can be used. We are listening to customers more closely than ever, and will carry out development in response to various needs to contribute to customers' manufacturing operations.



The Sodick Connect, internet channel for customers launched in February 2022

Industrial Machinery Segment

In the industrial machinery segment, Sodick develops, 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.

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

<p>Opportunities</p> <ul style="list-style-type: none"> 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 Increased needs for labor savings, automation, and environmental considerations 	<p>Risks</p> <ul style="list-style-type: none"> Intensified price competition in injection molding machine market Fluctuations in demand from changes in economic environment Large fluctuations in foreign exchange markets High raw material costs and parts shortages Prolonged COVID-19 pandemic
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Business structure

In response to 5G- and EV-related demand in Greater China, new Amoy Plant in Xiamen, China scheduled to commence operations during the fiscal year ending December 2022

With manufacturing in Greater China requiring higher degrees of precision and accuracy for areas including 5G telecommunications and EVs, demand for Sodick's injection molding machines is growing. In response, we are building a new plant in Xiamen, China, to accelerate the production and sales of horizontal electric molding machines in Greater China, the world's largest market. The plant is scheduled to commence operations during the fiscal year ending December 2022, and with this increase in production capacity, we aim to enhance the competitiveness in the global market.

Business strategies

Establishing position as Sodick's second core business through overall policy of "added depth and expansion" and "new development"

As a challenger in the molding market, our management will simultaneously pursue two overall policy directions of "added depth and expansion" and "new development" with products that stand out in the market based on our proprietary V-LINE® technology. Specifically, we will seek to increase our depth in strong sectors including EVs and 5G telecommunications, and pursue new sectors like packaging, medical, and sundry goods. In addition to plastic molding, we will also strengthen areas like light metal molding machines and system sales. Through these initiatives, we aim to establish a position as Sodick's second core business.

In addition to the high-end market where we are already recognized for highly accurate, high-precision molding, we will work to increase sales in larger markets in the molding industry. Moreover, with customer needs changing for reasons including the COVID-19 pandemic and concerns over global warming, we will seek to shift to biodegradable plastics and other plastic resins that are more difficult to mold. We are already developing proprietary technologies for biomass-derived plastic molding. Going forward, we will build on our engineer plastic molding technologies to expand into a wider range of resins. Also, the problem of electric power shortages arose in China during 2021, and with energy savings a major global issue, we will address needs for environmentally friendly products like fully electric injection molding machines.

FY12/2021 results and three-year targets under medium-term management plan



INFILT-V®, inert gas dissolution injection molding system
Recipient of the 18th (2021) Super Monozukuri Parts Award, Environment, resource- and energy-related parts awards

Review of the fiscal year ended December 2021 and measures going forward

Strong medical sector in North America, automotive and electronic parts sales growing in Japan. Net sales lower due to decrease in lens-related sales in Greater China

Automotive-related sales in Japan rebounded, driven by EVs and the move toward connected, autonomous, shared/service, and electric (CASE) technologies, and sales of electronic parts and devices for precision equipment grew. Overseas, medical-related sales in North America remained strong, but with global semiconductor shortages and the effect of the COVID-19 pandemic in Southeast Asia, as well as a decline in lens-related sales in Greater China, segment net sales declined from the previous fiscal year.

In terms of products, we focused on increasing sales of products including the GL-LSR Series of thermosetting rubber injection molding machines with a degassing function, the AI-VENT method of eV-LINE which prevents vent-up of the vent plasticization, the TR40VRE2 vertical rotary-type injection molding machine, and the new LMI450M magnesium alloy injection molding machine.



TR40VRE2, a vertical rotary-type injection molding machine, is compatible with large molds and achieves high cycling

Shifting focus from high-end customers to the largest customer segment, the division working as one for optimal equipment manufacturing and value creation

During the fiscal year ending December 2022, we will emphasize sales of electric molding machines (the MS Series). We had previously focused on high-end customers in the automotive, electronic parts, and other industries with molding machines that use a hybrid of hydraulics and electrical power, but going forward, we aim to develop industries of the largest customer segment that includes packaging, medical-related products, and sundry goods. Energy savings has become a global important issue, and we are using this as an opportunity to promote electric molding machines, which use less energy and increase productivity. We are also continuing to bolster sales of social and environmental infrastructure-related products and products for smartphones and other devices for EVs and 5G telecommunications.

We have restructured to create an organization that facilitates swifter and more efficient operations. We are able to examine input including market demand, customer requests, and technical development information more quickly and accurately than in the past, for optimal equipment manufacturing and value creation.

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 noodles, precooked side dishes, and boxed meals 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, precooked side 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

<p>Opportunities</p> <ul style="list-style-type: none"> Expanding distribution network including chilled logistics infrastructure, supermarkets, and convenience stores in line with rising standards of living in Greater China and Asia Global growth of market for sterile-packed cooked rice (growth in emerging countries) Increased needs for labor savings and automation at manufacturing sites from shortages of workers Even higher levels of food hygiene management and safety including stronger measures to prevent food contamination Growth of ready-made meal market in Japan due to the COVID-19 pandemic, increased needs for high-quality cooked noodles and precooked side dishes 	<p>Risks</p> <ul style="list-style-type: none"> 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
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Business structure

Building a solid supply structure for Greater China and Asia with commencement of production at the Amoy Plant in Xiamen, China

Previously, production was mainly carried out at our Kaga Plant, with production at the Amoy Plant in Xiamen limited to certain products, which led to issues with insufficient production capacity. Seeing a solid market environment going forward and based on developments in sectors other than noodles and cooked rice, we have been working to increase the capacity of the food machinery production line at the new plant in Xiamen. We aim to begin full-scale operation of the new production line during the fiscal year ending December 2022, while at the same time increasing staff for production and after-sales service. As a result, we believe we will be able to accelerate our overseas business development further.

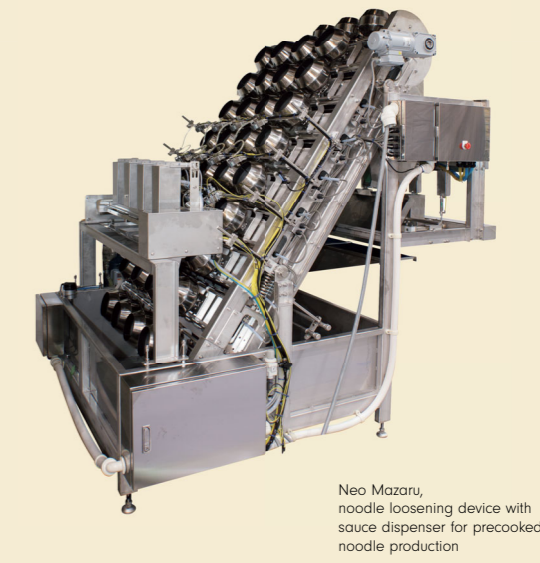
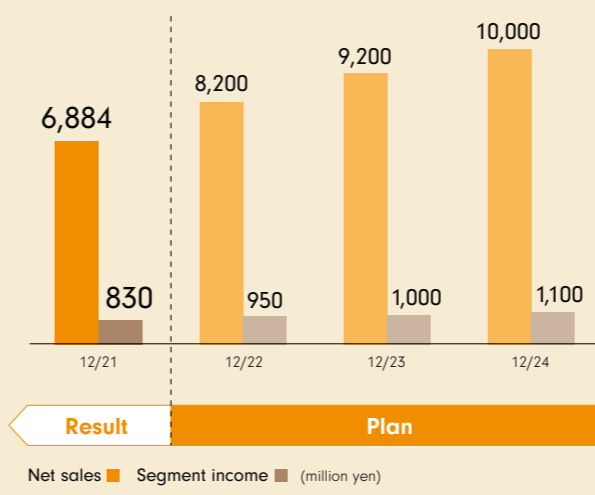
Business strategies

Strengthening our overseas production and sales structure to become a comprehensive, global manufacturer of food machinery

Under "Next Stage 2026," we will expand sales by introducing products that target the overall global food market, as a comprehensive food machinery manufacturer. The expansion of the food machinery segment is extremely important for the establishment of a business foundation that is resilient against economic fluctuations by diversifying the Group's business. We aim to capture demand from supermarkets and convenience stores growing in Greater China and Asia, and are working to develop this market based on the sales company we established in Shanghai. We are also accelerating our product development for the ready-made meal market with a view to expanding into sectors other than noodle-making machines and cooked-rice production systems, including confectionaries, precooked side dishes, processed vegetables, and breads.



FY12/2021 results and three-year targets under medium-term management plan



Review of the fiscal year ended December 2021 and measures going forward

Record high in both net sales and segment income due to increased sales of noodle-making lines and cooked rice production systems

Until now, noodle-making machines were the segment's main product, but the increase in single-person households and women entering the workforce in recent years has led to strong demand for sterile-packed cooked rice, and those production systems have made a large contribution to sales. Demand has also grown as a result of the COVID-19 pandemic, with increased demand for equipment for hygiene and labor savings at food product factories and demand associated with people staying at home and refraining from going out. In addition, overseas sales of noodle-making machines and cooked rice production systems contributed to the increase from the previous fiscal year in net sales. Segment income also rose by a wide margin from the previous fiscal year, on increased sales of noodle-making lines and cooked rice production systems.

In terms of products, we have moved beyond functionality as food machinery and introduced new products that contribute to reduce environmental impact and resolve social issues, including a high-temperature pressure sterilizer, granule powder cooling system, and soup essence (broth) extracting machine.

Next target is the precooked side dishes market. Further strengthening design and development capabilities by passing on design expertise to young employees

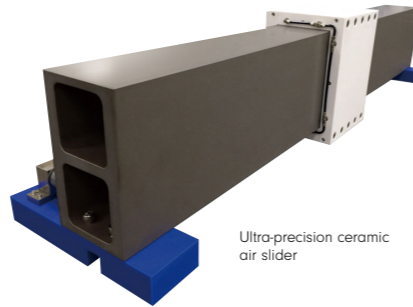
We need to develop new markets to expand the business further going forward. We have decided on precooked side dishes as our next target market, and aim to introduce new, improved systems during the fiscal year ending December 2022 that build on Sodick's strengths in sterilizing systems.

In terms of human resources, we are working to strengthen our design and development capabilities further by proactively visiting customers' factories, training young staff, and supporting the acquisition of operations-related credentials. We are also using IoT to strengthen our preventive maintenance after equipment is delivered to customers. This is intended to reduce the need for employees to report to work on holidays or at nighttime to address equipment problems.



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.



Ultra-precision ceramic air slider

- 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	Risks
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Globally rising fuel prices, shortages of raw materials Production adjustments from semiconductor shortages

Business structure

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.

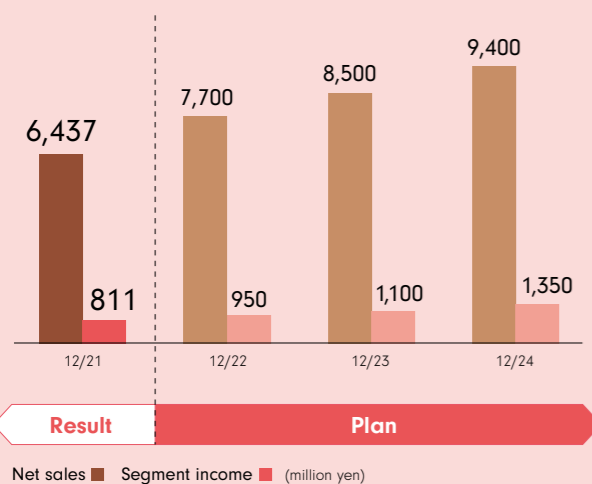
Business strategies

Using the Group's elemental technologies to raise profitability. Developing precision dies and mold for non-automotive uses

The precision dies and mold operations are aiming to expand sales channels with products for uses other than the automotive products handled to date. We will use cell production systems to achieve stable production, energy savings, and cost reduction, while also working to expand sales of precise machining and metal 3D printer processing technologies.

The ceramics business will expand sales of ceramic parts for semiconductor manufacturing equipment and high-value-added products. We will also strengthen our development of new materials and production methods.

FY12/2021 results and three-year targets under medium-term management plan



Review of the fiscal year ended December 2021 and measures going forward

Sales growth at all businesses. Profitability also improved on increased productivity from automation

Demand for ceramics increased due to growing demand for information and communications equipment, and in precision dies and mold operations, despite a slowdown in demand from the automotive industry overall because of the global shortage of semiconductors, the number of items produced increased, resulting in an increase in net sales from the previous fiscal year. Segment income also rose by a wide margin from the previous fiscal year due to improved profitability from increased productivity through automation in precision dies and mold operations.

Demand for ceramics is seen remaining strong during the fiscal year ending December 2022. The range of molding items for precision dies and mold operations is also seen expanding, and we expect sales to grow.

Digital Transformation (DX) Initiatives

Strengthening Our Cross-business Business Bases

➤ Sodick's DX

We are promoting DX as one of the measures for strengthening our business bases under the long-term management plan. Sodick's DX has two objectives—to expand customer communication services and to improve internal productivity and operational efficiency.

DX is transformation that uses the permeation of digital technologies to improve people's lives, by overturning conventional values and frameworks for groundbreaking innovation.



Customer-oriented DX

➤ Remote Product Training Sessions and Pre-delivery Meetings

We are proactively working to use digital technologies like IoT and AI to increase the added value of our products and services. Since 2020, it has been difficult to hold in-person exhibitions and events, so we have begun rolling out DX in a variety of situations including online exhibitions and product promotions using videos.

From July 2020, we have started services to hold product training sessions online, instead of inviting customers as we had previously. Customers are able to learn remotely practical ways to operate equipment, without leaving their workplace. Follow-up surveys have received comments like "The use of video made the contents easy to understand," and "It was very helpful to be able to remotely control the setting of actual molding specifications via the internet."

Using the expertise gained through these product training sessions, we are also holding online pre-delivery meetings with customers to confirm the machine's functions.



Use a wearable camera to take images of the entire machine, its surroundings, the operator's eye level, and the operator's hands, and display multiple images on the screen.

➤ Sodick Connect, Internet Channel for Customers

In February 2022, we launched the Sodick Connect, internet channel for customers that possess Sodick's machine tool products. The channel disseminates various information that is useful on the manufacturing site, including explanations of operations and functions of the machines, a variety of catalogs, and announcements of events and training sessions. Applications for maintenance, inspections services and training sessions, and various types of inquiries can also be made using Sodick Connect.

Going forward, we will use this channel to strengthen our customer services, while at the same time using the information collected and accumulated to provide total solutions.



Sodick Connect

Sustainability Message



Takashi Sawazaki
EFM Department
Corporate Division

Q 1 – Please tell us about the aims of the new EFM Department* that was launched as part of the reorganization of the structure for promoting sustainability.

With the increase in greenhouse gas emissions having a significant impact on the earth's environment, we recognize that decarbonization is an important issue in continuing our corporate activities. Sodick has continuously been carrying out environmental conservation activities, but recently, we have increasingly been asked by stakeholders to provide information about our current situation and future direction regarding our initiatives to reduce greenhouse gas emissions and how our products can help the environment.

In response to this social trend, Sodick launched the EFM Department in January 2022 as part of its reorganization of the structure for promoting sustainability. We are formulating a concrete plan

that includes a renewal target of our current target of "reducing greenhouse gas emissions from our domestic business sites by 26% from the 2013 level by 2030." We are also promoting the dissemination and sharing of information internally and externally, and have established a department responsible for strengthening management to create a structure that can achieve effective results. To implement measures that will quickly and irreversibly reduce the environmental impact of our production sites, we have assembled employees who have relevant credentials and experience with on-site management. With these employees at the core of our team, we will continue to strengthen our management structure.

EFM Department's mission and initiatives

- Understand and visualize the current situation based on an assumption of "facility quality, stability, and continuous strengthening," and formulate a medium- to long-term roadmap
- Reform awareness to strengthen management structure
- Understand and visualize the current situation of energy use, formulate and implement measures for carbon neutrality and TCFD recommendations
- Promote awareness of benefits of installing solar power generation systems and consider installing more equipment
- Consider and implement measures for the introduction of wind power generation and EVs
- Environmental training for employees

*EFM: E = Energy & Environment; F = Facility; M = Management

Designation of materiality and reorganization of structure for promoting sustainability to promote more effective activities to reduce environmental impact

Q 2 – What is the policy behind the specific activities being pursued?

It is the same as the policy behind Sodick's business activities—to put production sites first. By experiencing firsthand the current, actual situation at the Sodick Group's facilities, we promote awareness in each and every employee that these are the sources of value creation. We are working Companywide to promote a new way of thinking, moving from a "perception that it is sufficient for a facility to be running normally and optimally for a certain group of users," to "facilities are the assets of the Company and society in general, and repeated initiatives for long-term, stable maintenance

and management and for energy conservation will curtail global warming and lead to corporate growth." Building on this, we are working to normalize Sodick's characteristic approach of self-resolution, with an emphasis on shifting from the previous focus on "not enough, too cool, different from usual" qualitative changes to a focus on a quantitative measurement of results. We believe this will facilitate objective evaluations of on-site activities and create an environment that allows for the even rollout of activities among domestic and overseas locations.

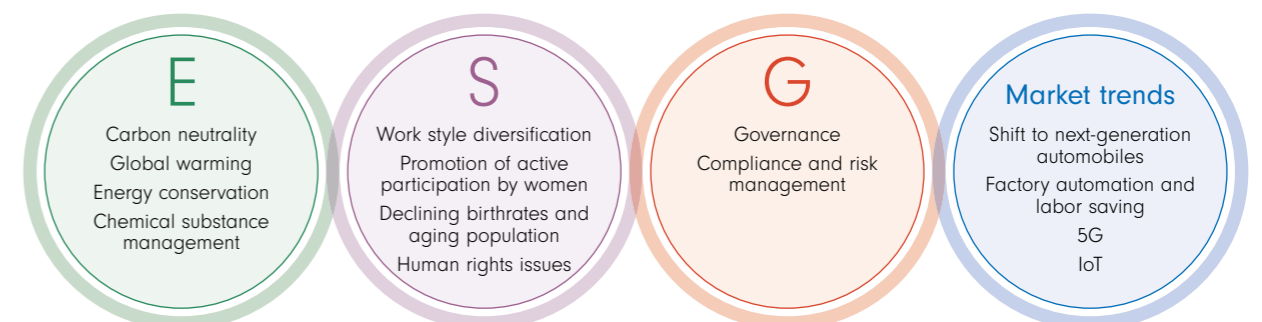
Q 3 – Please explain the designation of materiality and the department's activities going forward.

In 2021, we reviewed our Basic Policy for CSR, and formulated a Basic Policy for Sustainability* that incorporates the results of a materiality analysis. In the materiality analysis, we looked at global social issues and the 17 Sustainable Development Goals (SDGs), and analyzed and determined the positive and negative aspects of Sodick's degree of involvement and priority given. As a result, we identified four issues as materiality—"contributing to evolving manufacturing,"

"addressing environmental management," "promoting diversification of human resources," and "strengthening governance"—and these were approved by the Board of Directors. Our response to these four sustainability issues has been designated as our important management issue, and we will accelerate our efforts in these areas even more to enhance corporate value over the medium to long term.

* Please refer to page 30 regarding the Basic Policy for Sustainability.

Global social issues related to the Sodick Group's businesses



Basic Policy and Structure for Sustainability

Basic Policy for Sustainability

With a spirit of “Create,” “Implement,” and “Overcome Difficulties,” the Sodick Group’s management philosophy is to contribute to society’s sustainable development by providing outstanding products that support customers’ manufacturing operations.

We do this in accordance with the Sodick Group Corporate Ethics Charter and Corporate Code of Conduct (Compliance Guidelines). On the basis of the practice of sincere business activities, we are aware of the important management issue of addressing the sustainability aspects of “contributing to evolving manufacturing,” “addressing environmental management,” “promoting diversification of human resources,” and “strengthening governance.” We are proactively addressing these issues from a perspective of enhancing corporate value over the medium to long term.

Structure for Promotion

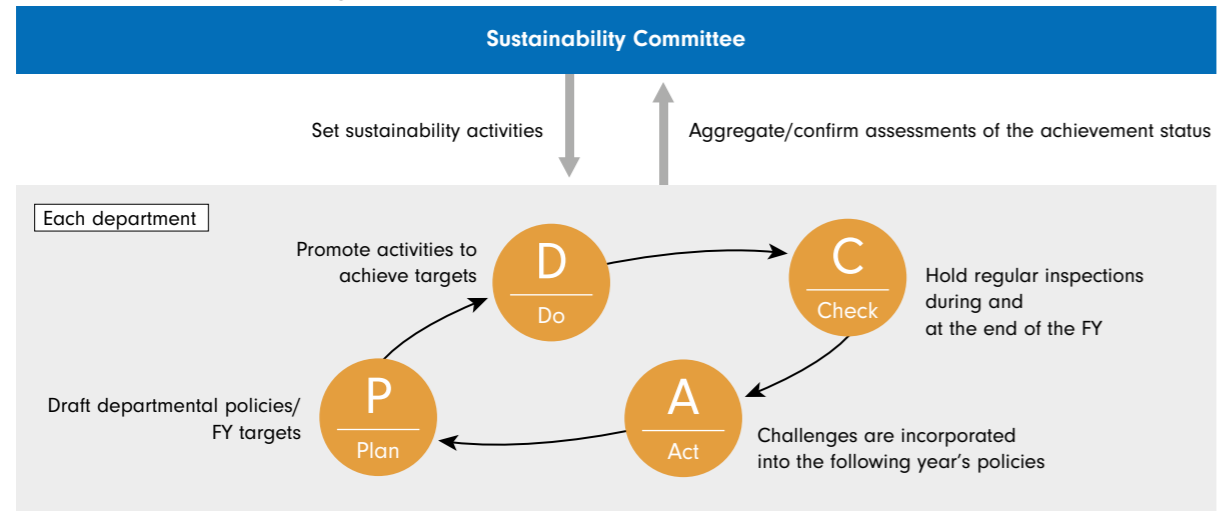
We have newly established a Sustainability Committee, chaired by the President and Representative Director. The main purpose of the previous CSR Promotion Committee was the sharing of activities being carried out by individual business divisions, and going forward, the Sustainability Committee will decide on policies and set targets for medium- to long-term themes including climate change, carbon neutrality, human rights, and health and productivity management, and manage the progress of sustainability activities being carried out companywide.

With the Sustainability Committee at the center, we will pursue long-term, systematic sustainability activities using a repeating PDCA cycle.

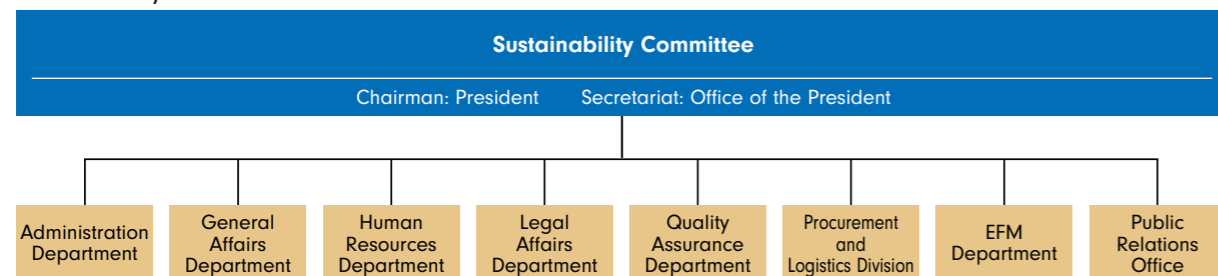
Sodick Group’s materiality (important issues) and SDGs being proactively addressed



Sustainability Promotion Image



Sustainability Structural Chart



List of CSR Initiatives

Major activities during 2021

Stakeholder	Theme	Activity	Related SDGs
Environment	Reducing environmental impact of business activities → Pages 32-35	<ul style="list-style-type: none"> Measures to conserve and recycle resources (Reduction of paper and plastic waste, reuse of packaging materials, etc.) Installed solar power generation system (Kaga Office) and visualized peak electricity demand to reduce electricity use Strengthened and improved management of harmful chemical substances 	7, 13, 14, 15
	Green procurement → Pages 32, 39	<ul style="list-style-type: none"> Centralized information on Green Procurement Standards Activities to reduce printed materials 	15
Customers	Contributing to the environment through products → Pages 34, 35	<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, 12, 13, 15
	Quality enhancement	<ul style="list-style-type: none"> Activities to reduce design-caused defects Strengthened risk assessment by model Formulated manual of welding standards for machine tools 	9, 12
	BCP → Page 39	<ul style="list-style-type: none"> Business continuity plan for procurement and logistics (survey, improvement) 	11
Society	Social and cultural activities	<ul style="list-style-type: none"> Supported Ishikawa Prefecture Digital Artist Discovery Committee Supported FM Ishikawa Broadcasting’s Crime Prevention Buzzer Present Campaign Supported RoboRAVE Kaga Japan 2021 	3, 9
	COVID-19-related activities	<ul style="list-style-type: none"> Provided Sodick-manufactured face shields 	3, 11
Employees	Promoting diversity → Pages 36, 37	<ul style="list-style-type: none"> Formulated policies and targets to ensure diversity Hired non-Japanese employees Hired employees with disabilities Promoted and encouraged women in the workforce 	5, 10
	Creating comfortable workplace environments → Pages 37, 38	<ul style="list-style-type: none"> Formulated Sodick Health and Productivity Management Declaration Created environments for working from home, including permanently Reduced overtime Activities to eliminate harassment Use of DX to improve operational efficiency Held safety training to eliminate work-related injuries Traffic safety courses and dissemination of information to employees to prevent traffic accidents with company vehicles 	8
	Human resource development → Pages 36, 37	<ul style="list-style-type: none"> SDGs training Expanded level-specific training Made skill and qualification information visible (talent management system) 	4
Shareholders and Investors	Strengthening corporate governance → Pages 45-49	<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 	16
	ESG information disclosure	<ul style="list-style-type: none"> Issued Integrated Report Analyzed and considered ESG indexes Expanded disclosure of ESG information 	

Environmental Initiatives

Environmental Policy and Structure

➤ Accelerating Environmental Conservation Activities

The Sodick Group launched the EFM Department in January 2022 as a new organization to promote sustainability activities, creating a structure to carry out more effective activities in addition to our environmental conservation activities that have been ongoing to date. The Group has designated four materiality issues as management's most important issues, and one of them is "addressing environmental management." We will work on this issue along various themes including carbon neutrality, global warming, energy conservation, and management of chemical substances, from a perspective of increasing corporate value over the medium to long term.

➤ Acquisition of Environmental Management Certification

All of our business locations in Japan have acquired the certification under the ISO14001:2015 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. In 2021, we worked to promote the recycling of packaging materials for exports, and reduce purchases of packaging materials.

Environmental Policy—FY12/2022—

- 1) Out of consideration for the environment, we will strive to develop products in a way that reduces greenhouse gas emissions at each stage of the product's life cycle, and that can be recycled to reduce waste.
- 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.

➤ Management of Chemical Substances That Affect the Environment

In addition to releasing our Green Procurement Standards and lists of hazardous chemicals, we developed systems for the creation of a proprietary ERP-linked harmful chemical substances control system (SHCSCS).

List of initiatives in green procurement and management of chemical substance

- 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)



Environmental Vision and Targets

➤ Addressing the Issue of Climate Change

To achieve our greenhouse gas reduction targets for 2030, we are further strengthening our management system for the swift and continuous implementation of measures to reduce environmental impact at production sites. Specifically, we are understanding and visualizing the current situation regarding facility energy use (EMS) and creating a medium- to long-term roadmap for the proposal and implementation of measures for carbon neutrality and the TCFD recommendations, based on an assumption of maintaining the quality and stability of production facilities. We are also carrying out employee training and other activities to transform environmental awareness at production sites.

➤ Greenhouse Gas Reduction Targets

Sodick has already set a target of reducing our volume of greenhouse gas emissions by 26% by 2030 relative to 2013, and we are currently considering setting new targets to contribute to the achievement of the Japanese government's goal of reducing emissions by 46% by 2030 relative to 2013, and to net zero by 2050. We will announce our decision when it is made.

Environmental data

CO ₂ Emissions at Sodick Business Sites in Japan					
	FY12/2017	FY12/2018	FY12/2019	FY12/2020	FY12/2021
CO ₂ emissions (t)	7,848	8,752*	9,029	7,938	7,500

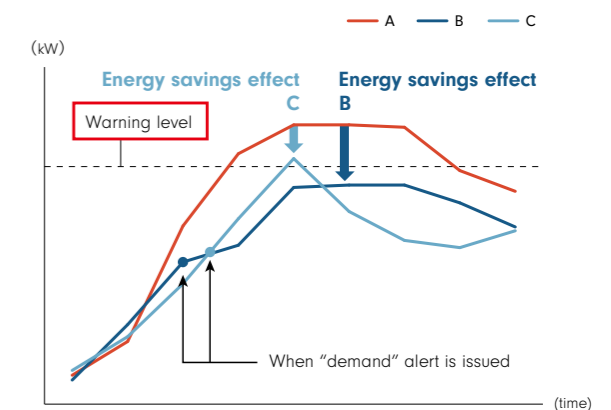
* Increase from construction of multi-factory

Crude Oil Equivalent at Sodick Business Sites in Japan					
	FY12/2017	FY12/2018	FY12/2019	FY12/2020	FY12/2021
Crude oil equivalent (kl)	3,198	3,549	3,939	3,860	3,875

➤ Example: Visualizing Peak Electricity Demand Value to Reduce Electricity Use (Kaga Office)

In January 2022, our Kaga Office began using a "demand" (peak electricity demand value) warning alert system as a way to reduce electricity use. This system sends an alert to each department when there are concerns of exceeding the contracted value of "demand," to promote cooperation to reduce electricity use. The Kaga Office uses solar power generation to reduce "demand," but solar panels cannot be expected to generate sufficient electricity during inclement winter weather, so there are concerns of excess "demand," but this can be avoided by departments cooperating to reduce electricity use after receiving an alert. We plan to verify fully the effect of this system and roll it out to other business sites.

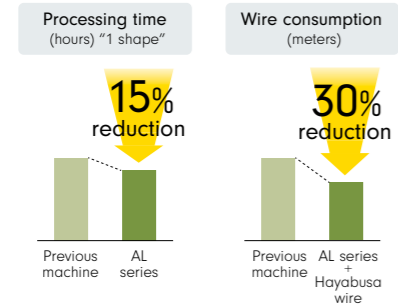
Kaga Office's "demand" visualization and energy savings effect



Development of Environmentally Friendly Products

> Machine Tool Segment

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)

The performance of machines used in the process of product manufacturing has a major effect on the environmental impact of manufacturing. For example, electric power consumption and the amount of consumables used can be reduced by improving the performance of power units and machines and increasing the processing speed to shorten the processing time. Through this kind of technological development, Sodick has been making ongoing contributions to customers' reduction of their environmental impact.

In addition, 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. We are also operating a business that collects used wire as a resource, which is melted at Sodick's facilities and recycled for reuse as new electrode wire.



AL i Groove Edition wire-cut EDM

> Industrial Machinery Segment



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

Sodick's injection molding machines for plastics, difficult-to-machine materials, and light metals are used to mold parts for things including automobiles, telecommunications 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.

In addition, given the global problem of environmental pollution from plastic waste, it is desirable to use biodegradable plastic that turns to soil when discarded, but the use of this plastic has not progressed because it is difficult to mold and process. The INFILT-V® system, which we successfully introduced during 2020, can easily mold thin and deep biodegradable plastics. With this system, our V-LINE® injection molding machines are able to use biodegradable plastic, and we expect to promote its widespread use.



Left: Standard molding Right: Using INFILT-V®

> Food Machinery Segment

Sodick has strengths in developing 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 social issues. Our main products are boiling machines with automated cleaning that were developed from the perspective of HACCP.* A system that automatically cleans the inside of the equipment is part of a fully automated process from boiling and cooling to measuring, which reduces the count of viable bacteria during processing and extends shelf lives for noodles—a feature highly regarded by noodle manufacturers and convenience store vendors. In addition, our granule powder cooling systems cool wheat flour and other granular raw materials quickly and uniformly. This increases the dough quality of foods like noodles, bread and confectionaries, and reduces cooling times, achieving significant reductions in electric power used for cooling.

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

Main features

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



Boiling machine equipped with CIP automated cleaning



Granule powder cooling system

Manufacturing That Further Curtails Environmental Impact

> Installation of solar power generation systems

Sodick is working to reduce the amount of CO₂ emissions from business activities. We are also proactively using energy from natural sources, and have installed solar power generation systems on the rooftops of our Head Office, the Kaga Office, and the Miyazaki Office of Sodick F.T. We are also experimenting with various other activities, including selling power generated by the system at the Head Office as electricity.

From 2022, we have also begun pursuing activities to reduce our environmental impact in a systematic and effective way, led by the newly established EFM Department.



Kaga Office's newly installed solar power generation system

> Reducing Environmental Impact of Business Sites

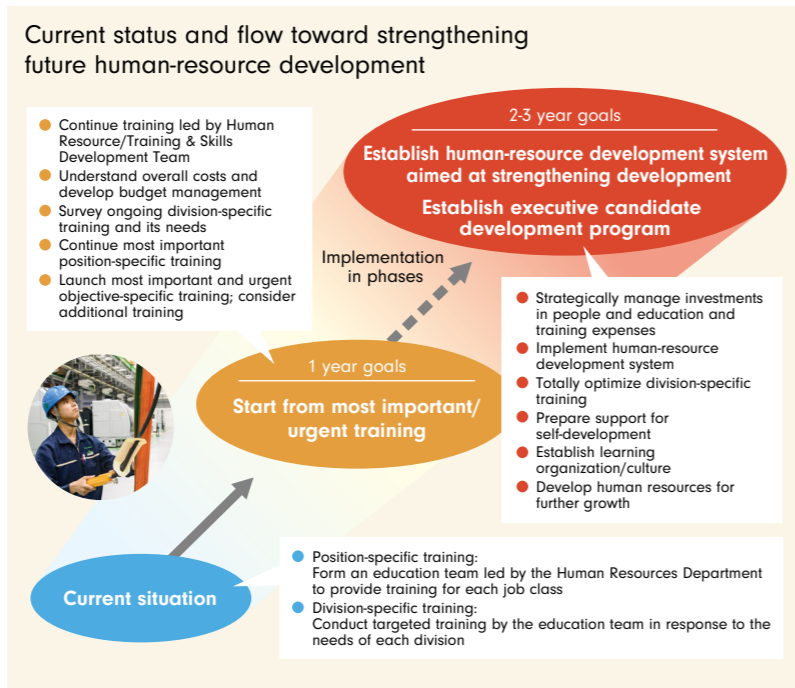
Administrative divisions are pursuing reductions in CO₂ emissions by encouraging employees to forgo suits during warmer months (known as Cool Biz) and by making effective use of video conferencing, and the introduction of video conferencing systems at domestic business locations and overseas subsidiaries has reduced movement for meetings and conferences, as we strive to reduce energy consumption.

Social Initiatives

Human Resource Strategy

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 role. In addition, in order to achieve our long-term management plan in a changing market environment, 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 human resources.



Sodick's Personnel Appraisal System

Personnel appraisal is not merely an "evaluation" for determining monetary compensation. Its role is "to encourage the growth of each employee, strengthen the organization, and lead this to the Company's growth." Based on this concept, 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 employee, enabling them to grow 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.

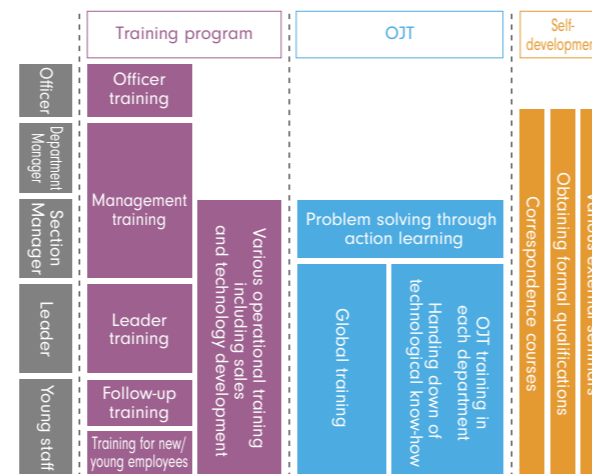
3 Achievement of fair treatment

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.

Training and Education

We have put in place a skill development system that promotes the growth and career development of each employee. Our aim is to develop human resources with the qualities and abilities needed to contribute to Sodick's further growth.

Human-resource development system (conceptual diagram)



Achievements in human-resource development (FY2021)

Number of employee training sessions held	19 times
Content of training	Position-specific training/ evaluator training

Diversity & Inclusion

Introducing a Global Career Track Position

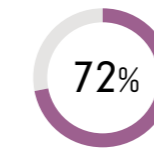
In 2020, we introduced a Global Career Track position for employees with the potential to be the next generation executive managers, who experience different kinds of work and gain a comprehensive understanding of the management environment. In addition, we have created two types of career track positions: managerial personnel who are active as managers, and expert personnel who possess a high level of expertise. We also offer an Area Career Track position and a General Clerk position. We aim to achieve a work-life balance through systems that align with the diverse work styles and career goals of each employee.

Career tracks: (1) Global Career Track (2) Area Career Track	
Focus	Managerial personnel
Role	Accurate management to achieve the organization's objectives
Target employees	Management position with subordinates, capable of contributing to society using the division's resources
Positions	General Manager, Deputy General Manager, Executive Manager, Department Manager, Deputy Department Manager, Section Manager, etc.
Salary	Paid management allowance
Focus	Expert personnel
Role	Leverage high level of expertise to contribute to medium- to long-term growth and improving performance of the organization
Target employees	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	Specialist, senior expert, expert
Salary	Paid expert allowance

Advancement of Global Human Resources

We were quick to adopt a global perspective in developing our business, and have actively sought out foreign national hires. As of December 31, 2021, around 72% of our workforce is based overseas. The presence of foreign national employees will be indispensable as we work to further globalize our business. Understanding their perspectives will help us advance localized strategies and strengthen our marketing capabilities. We also promote the use of global human resources by hiring locally for executive positions and some locations have female presidents.

Ratio of overseas employees (as of December 31, 2021)



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 we are promoting the plan through PDCA. We have been encouraging male employees to take parental leave since 2016, and the number of male employees taking such leave is growing steadily.

Goals and measures for advancement of women for FY2023

- Goal 1** Ensure that female employees comprise at least 25% of hires
- <Measures>
- Expand internal job opportunities for female employees
 - Actively promote the activities of female employees, etc.
- Goal 2** Ensure that female employees comprise 15% of our workforce
- <Measures>
- Address work-life balance so that female employees can continue working
 - Establish systems for working from home and remote work
 - Consider introducing vacation and leave systems to support infertility treatment
 - Plan and implement training programs for women's career development
 - Create opportunities for exchanging opinions on the topic of being a good place to work
 - Consider increasing the number of years covered by the reduced working hours scheme, etc.

Ensure diversity among core human resources (goal)

We are encouraging the promotion of women, foreign nationals, and mid-career hires to management positions with the aim of creating a workplace environment and corporate culture in which all employees can play active roles, while recognizing diversity among employees such as gender, nationality, and experience (new graduates/mid-career hires).

- Female managers: Target at least 3% by 2026 (1.5% at the end of 2021)

Creating a Comfortable Workplace

Progress in Work Style Reform

As part of our efforts to promote health and productivity management, we encourage employees to take paid leave by setting a day for promoting employees to use their paid leave. We aim to create a virtuous cycle in which employees rest properly and return to work feeling refreshed and motivated. Despite our ongoing efforts to reduce overtime work, overtime hours increased in the fiscal year ended December 2021 due to the impact of a significant increase in production. In response to this, we are pursuing measures to ensure stricter management of work hours. Among these, we have tightened our controls on working hours through using operational streamlining and systems, and providing training for managers.

We are also working to create an environment in which employees can balance work and child rearing. We are also expanding measures to support the return to work of employees who have taken parental leave. We have maintained a 100% return-to-work rate for the past five years.

Data on work flexibility

	12/17	12/18	12/19	12/20	12/21
Average number of days of paid leave taken	7.5	10.1	12.0	11.5	11.6
Annual average overtime hours	315	279	252	250	296
Number of employees taking parental leave	3	1	8	9	3
Men	2	4	2	3	11
Women	1	0	6	6	0
Number of employees working reduced hours	8	7	8	7	8

Health and Productivity Management, and Occupational Health and Safety

➤ Sodick Health and Productivity Management Declaration

Sodick has established the Sodick Health and Productivity Management Declaration in the belief that the physical and mental health of each employee is vital for the sustainable growth of the Company. Under this declaration, we will work together as one team to maintain and improve the health of our employees, enabling us to continue to support the manufacturing operations of our customers and take on the challenge of further growth, guided by the basic spirit of “Create,” “Implement,” and “Overcome Difficulties” as stated in our management philosophy.

Please also visit the Sodick website for more information on our initiatives in areas such as occupational health and safety, industrial accident prevention, EAP, and mental health.

➔ https://www.sodick.co.jp/en/sustainability/esg_society.html#sectionC-01

Sodick Health and Productivity Management Declaration

Sodick believes that the health of its employees is the company's most important asset and a source of new value for the future.

In order to ensure that each and every employee is physically and mentally healthy and continues to take on the challenge of further growth, we will actively promote improvements in the workplace environment and health promotion, and aim for health and productivity management that balances employee health with the sustainable growth of the company.

Health and productivity management policy

1. With the President and Representative Director serving as the Chief Executive Officer for Health and Productivity Management Promotion, we have established a PDCA (Plan-Do-Check-Act) system within the company to promote health and productivity management.
2. We will promote regular health checkups and stress checks and propose health measures using health data.
3. In addition to improving the working environment, we will promote mental health care, measures against lifestyle-related diseases, and work-life balance.
4. We will work to improve the health literacy of our employees to maintain and promote their health.

Human Rights and Compliance

➤ Sodick Group Corporate Ethics Charter and Code of Conduct (Compliance Guidelines)

All corporate offices and employees of the Sodick Group should be aware of the environment and social responsibilities surrounding the Group, respect human rights, comply with laws and regulations, and act in accordance with social ethics for the sound development of the Group. In order to meet the expectations of society, we have established and are implementing the Sodick Group Corporate Ethics Charter and Corporate Code of Conduct (Compliance Guidelines) as the Group's Code of Conduct.

➤ Reporting Rules on Human Rights and Compliance

Our compliance regulations stipulate that, in the event of observing an act or suspected act of noncompliance in a business or organization, an employee must immediately consult with his/her supervisor or manager, or if he/she is unable to consult, must report the matter (Article 4: Obligation to Consult, Article 7: Obligation to Report).

The regulations guarantee that whistleblowers will not be subject to dismissal, reduction in salary, or any other disadvantages (Article 8: Protection of Whistleblowers).

Chapter 3 Relations between the company and employees

19. Respect for human rights and prohibition of discriminatory treatment

The Sodick Group shall ensure a sound work environment in which no person is harassed or discriminated against due to their ethnicity, beliefs, race, sex, religion, nationality, language, physical features, wealth, place of birth, or other such reasons.

The Sodick Group does not use forced labor, slave labor, compulsory labor, or labor from human trafficking.

In particular, the Sodick Group views as unacceptable the kinds of harassment that are increasingly becoming social problems, including sexual harassment, power-based harassment and administering pressure to drink alcohol. If a problem occurs, the Sodick Group shall promptly investigate the matter and take firm measures to assist the victim and prevent recurrence.

Human rights and compliance reporting desk

1 Compliance Helpline Desk

In principle, the Compliance Helpline Desk serves as the point of contact for reporting.

2 Harassment reporting desk

The dedicated reporting desk for human resources and its related departments serves as the point of contact for matters relating to harassment.

3 External point of contact

In the event of circumstances that cannot be reported to the Compliance Helpline Desk, an outside attorney serves as a point of contact for reporting.

Supply Chain Initiatives

Procurement Policies and Guidelines

➤ Suppliers of the Sodick Group

Guided by the basic principle of local production for local use, we supply each overseas plant through global procurement activities aligned to component categories and characteristics. Procurement items are divided into nine major procurement categories. Items that have a particularly large impact on our business are electrical components, functional components, machined components, and raw materials such as castings.

➤ Green Procurement Standards (Guidelines)

The Sodick Group develops, designs, manufactures, sells, and services environmentally friendly products around the world. We have established Green Procurement Standards to help ensure that our product manufacturing is environmentally friendly. We work with our suppliers to lower the environmental impact of our procurement activities.

➤ Sustainability Procurement Activities in Collaboration with Suppliers

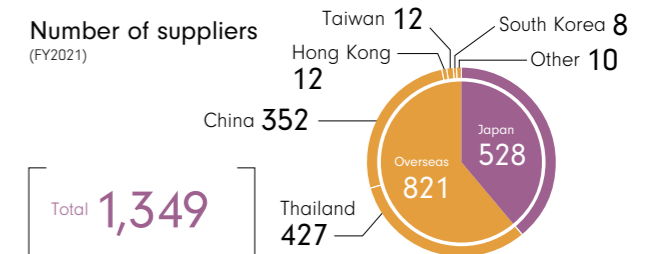
We ask our suppliers to understand the Sodick Group's procurement policy. We require them to respond to various surveys when business transactions begin, and also after this to various documents required by the Green Procurement Standards. In the fiscal year ended December 2021, 543 companies cooperated with document audits and five companies with on-site audits. We also provide opportunities for two-way communication, including supplier briefings (in-person) and Teams Live events for all suppliers.

In response to the strengthening and expansion of regulations around the world on chemical substances in products, we have established the ERP-linked Harmful Chemical Substances Control System (SHCSCS) for suppliers. Going forward, we will use this system to further strengthen and thoroughly conduct investigations on the presence or absence of hazardous substances.

BCP (Business Continuity Plan)

➤ BCP Initiatives

We have built a system where we promptly put in place a business continuity system that would enable us to work with suppliers to understand the situation in the event of an earthquake or problems such as data falsification by a manufacturer. In our survey, we score suppliers in terms of the status of their response, providing specific support for improvement work when areas for improvement are found.



Basic Procurement Policy

1. Sincere, open, honest, and fair trade
We procure optimal components globally, honoring the principle of free competition.
2. Prosperous partnerships with our suppliers
We aim to build relationships that prosper both us and our suppliers, reflecting our commitment to mutual understanding and trust.
3. Legal compliance and environmental protection
Our procurement initiatives comply with national and regional laws and conserve and protect the environment.
4. Quality, economic rationality, stable supply
We fully evaluate each supplier for suitable quality, reliability, delivery, price, capacity to develop technology and actively propose solutions, and management stability, among other considerations, and our procurement practices are based on reasonable standards.
5. CSR Procurement
We actively promote CSR initiatives and encourage our suppliers to do the same.

Environmentally controlled substances

The Sodick Group manages environmentally controlled substances by categorizing them into three classes, as below.

- (1) Prohibited substances: Chemical substances that the law prohibits us from handling (e.g., manufacturing, using, or importing).
- (2) Substances to be reduced: Chemical substances that should be reduced in future based on regulatory trends.
- (3) Managed substances: Chemical substances that need to be tracked by how much is contained in products.

Conflict minerals

The Sodick Group believes it is our corporate social responsibility to help solve the conflict minerals problem and as such, it is our policy not to use conflict minerals. We conduct surveys including suppliers to ensure that our supply chain does not finance armed groups.

➤ Conducting BCP Surveys

We conducted our first BCP survey in 2016. A total of 619 domestic companies, including logistics-related companies, and 783 overseas companies were surveyed to formulate the report. In addition, we conducted a survey in 2020 and promoted activities to raise awareness of BCP measures.

Please also visit the Sodick website for more information about our supply chain. ➔ <https://www.sodick.co.jp/en/company/procure.html>

Management Team

Directors



Kenichi Furukawa
President and Representative Director

Hideki Tsukamoto
Senior Executive Managing Director
Machine tool segment and Production
Management Division

Hirofumi Maejima
Executive Managing Director
Corporate Division



Yuji Kaneko
Director
(Executive Fellow)

Keisuke Takagi
Director
(Executive Fellow)

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



Ichiro Inasaki
External Director

Kazunao Kudo
External Director

Kenzo Nonami
External Director

Yoshikazu Goto
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 2022 are as shown in the table.

Overview of Directors and Audit & Supervisory Board Members (as of end-March 2022)

Director	Status & Committees	Attendance (fiscal year ended Dec. 2021)		Fields of expertise that are particularly expected of directors/Audit & Supervisory Board Members*					
		Board of Directors meetings	Audit & Supervisory Board meetings	Law and Risk Management	Finance and Accounting	Corporate Management	Manufacturing/Technology/R&D	Global	Marketing/Sales
Kenichi Furukawa	▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times		●	●	●		●	●
Hideki Tsukamoto		13/13 times				●	●	●	
Hirofumi Maejima		13/13 times		●	●			●	
Yuji Kaneko	▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times				●	●	●	
Keisuke Takagi		13/13 times				●		●	●
Ching-Hwa Huang		13/13 times				●		●	●
Ichiro Inasaki	■External ◆Independent ▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times					●	●	
Kazunao Kudo	■External ◆Independent ▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times				●	●	●	
Kenzo Nonami	■External ◆Independent ▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times				●	●	●	
Yoshikazu Goto	■External ◆Independent	(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	12/13 times	●	●			●	
Takashi Nagashima	■External ◆Independent	13/13 times	13/13 times	●	●	●			
Mari Otaki	■External ◆Independent	10/10 times (Note 2)	10/10 times (Note 2)	●	●				

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

Note 1: External Director Yoshikazu Goto was elected at the Ordinary General Meeting of Shareholders held on March 30, 2022; no activity applicable in the fiscal year ended December 2021.
Note 2: External Audit & Supervisory Board Member Mari Otaki was elected at the Ordinary General Meeting of Shareholders held on March 30, 2021, and 10 Board meetings and 10 Audit & Supervisory Board meetings have been held since she assumed her post.

Dialogue between External Directors



**Kenzo × Ichiro × Kazunao
Nonami Inasaki Kudo**

Pursuing changes in “individuals” will lead to corporate transformation. Creating workplaces that facilitate self-motivation in individual employees will set a path for Sodick’s sustainable growth.

Roles to be fulfilled by external directors

Nonami: I established a manufacturing company and have been involved in management, and I was appointed as an external director of Sodick in 2020 to utilize my experience. Over the past two years, it is very unfortunate that I have not been able to visit actual manufacturing sites because the COVID-19 pandemic has meant that I have been unable to visit business locations other than the head office. I hope to be able to do this as soon as circumstances allow.

Kudo: I intend to use my 15 years of experience involved in management in China in Sodick’s management. A basic fundamental for a manufacturing company is that manufacturing is about developing people, and my main interest is in seeing how employees are being cultivated on-site. The pandemic

has imposed restrictions, but I want to visit overseas sites and see employees’ growth at an early date.

Inasaki: In my case, I want to make use of my experience as a university professor and researcher to provide input for the proper direction of technological development from a perspective of the medium- to long-term enhancement of corporate value. So far, I have held several manufacturing technology seminars for Sodick’s technicians, and I hope that these have been helpful for supplementing the basic knowledge that tends to get lost when technologies are passed on on-site.

Nonami: I believe external directors have three main missions. The first is to strengthen corporate governance. External directors are in a position to conduct ongoing monitoring to ensure that the company is being managed according to the rules, and this assumes that there are no conflicts of interest with the company. Correct, strict, objective oversight is an important role.

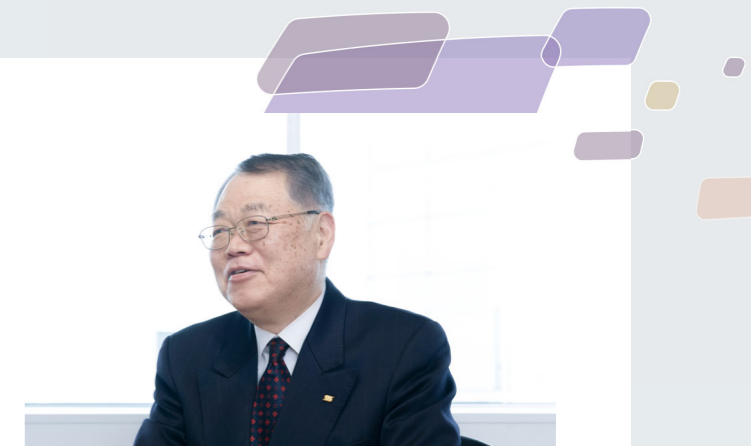
The second is to act on behalf of shareholders to ensure that the opinions of a wide range of shareholders are reflected in management. The third is to offer advice to management. External directors participate in meetings of the Board of Directors by offering opinions for the company’s future growth from a diverse range of perspectives.

Inasaki: I proactively advocate for the importance of promoting environmental, social, and governance (ESG) aspects of management. Revisions to Japan’s Corporate Governance Code in 2021 place great importance on addressing sustainable issues. I consider it very important for management to have a strong awareness of various ESG issues, and I believe that communicating this outside the company will lead to the enhancement of corporate value.

It is not necessary to blindly adhere to all of the Corporate Governance Code, however, and I consider it important to have the strength to express our intentions when we cannot comply with the Code. With regard to things like executives’ self-appraisals to evaluate the effectiveness of the Board of Directors, I believe we need to continue this monitoring going forward so that it will lead to actual improvements.

Sodick’s important management issues

Kudo: During the past year, each operating division has discussed how to achieve the “Next Stage 2026” long-term management plan. Although we achieved record high net sales in the fiscal year ended December 2018, sales subsequently decreased significantly in the fiscal years ended December 2019 and 2020 from the effects of U.S.-China trade friction and the COVID-19



- 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.
 - 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.
 - 2018 ● External Director of Sodick Co., Ltd. (current post), Outside Director of SHIBAURA ELECTRONICS CO., LTD. (current post)

pandemic. In the fiscal year ended December 2021, net sales finally recovered to roughly 90% of the record level, and I believe our growth strategy going forward is extremely important.

Nonami: I consider our heavy reliance on Greater China to be one of the reasons for the large fluctuations in business performance. Close to half of our sales are in China, so Sodick always needs to create a bypass.

Kudo: I’m often told that I have become Chinese, and I consider Sodick’s business growth in Greater China to be not only a bad thing. With a large market so close by, we should obviously grow our business there. My one concern, however, is our method of sales, because there are limits to selling stand-alone pieces of high-end equipment. Sodick boasts quality machinery and equipment with high levels of technology and functionality, but we cannot compete based on that alone. That is because in China, other manufacturers selling products with 80% of Sodick’s functionality at half the price will soon appear. That doesn’t mean we should make cheaper products, but rather, I believe it is important to refine thoroughly our own technologies to a level that other companies cannot match, so that in each segment Sodick has no competition. This is why we are embarking on a far-reaching corporate transformation from 2022.

Inasaki: To survive in the global market, we need to rebuild our business structure from “sales of pieces of equipment” to an “issue resolution model.” For customers to achieve better processing, we need to provide them with value taking a three-pronged approach of machines, consumables, and technology services that make businesses services; in other words, we need to aim for a paradigm shift from “selling objects” to “selling experiences.”



- 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
 - 2007 ● Professor Emeritus of Keio University, Professor of Chubu University
 - 2013 ● Outside Director of DISCO Corporation (current post)
 - 2018 ● External Director of Sodick Co., Ltd. (current post)

Kudo: Today, we use the Internet of Things (IoT) to achieve remote maintenance and even remote controls. By collecting all of the data from equipment we deliver, we are able to provide preventive maintenance like “this consumable is worn out and should be replaced” and “that unusual noise is dangerous, stop the machine.” If customers understand that “installing Sodick equipment means that Sodick will provide all maintenance and production management,” they will not choose other companies’ products. This is the kind of corporate transformation we need to achieve.

Developing human resources is the main goal of corporate transformation

Nonami: What I think is very good about the current restructuring is the clear goal of cultivating human resources. People are a company’s framework, and their personal growth leads to good products, satisfied customers, and corporate growth—ideal growth for a manufacturing company.

Kudo: Last year, I listened to a speech by Kazuhiko Toyama, Chairman of Industrial Growth Platform, Inc. (IGPI), in which he said that if CX is integrated, society and the country undergo major change, and if it is differentiated, individual people’s ways of living and working undergo major change. Differentiation is another way of saying a direction of change lying in “individuals,” and I believe we must transform the way all employees do their work and think, with an orientation toward sustainable growth.

Inasaki: Under our previous function-aligned organization, the fact that employees did not have the same responsibilities and goals with regard to the business made it difficult to act with the same incentive. This is why we decided to change to a business-aligned organization, to achieve decision-making entirely within a business. Self-motivation toward doing one’s job is important for drawing out people’s abilities. I believe it is important to create workplaces where employees are motivated from within.

Nonami: I also believe that employees’ motivation is directly tied to a company’s growth. My own experience is that when there is friction in personal relationships within a workplace, employees lose motivation and productivity falls. As a result, the company is unable to grow, and not a few Japanese companies have faced this dilemma. In the first place, a person does not enjoy doing their job if personal relationships are bad; they do not have pride and do not grow. However, creating workplaces with good companywide personal relationships is not easy, either.

Kudo: In January 2022, we announced the “Sodick Health and Productivity Management Declaration,” which aims for both the health of all employees and growth as a company. To ensure that this declaration is more than just words, I believe we should strive to “visualize” by quantifying the level of health using things just like the results of physical checkups. There are methods like stress checks that could be used to create targets based on each year’s results, leading to concrete measures to achieve higher figures, to become a “company where work is comfortable and rewarding.”

Achieving a succession plan by “cultivating people with greater care”

Inasaki: In 2021, we considered a succession plan that included the appointment and dismissal of the CEO, and began making preparations to cultivate people for that level of management. There are various standards for selecting senior management, and one that I would mention is a recognition of the importance of working to “enhance Sodick’s corporate value by resolving social issues and contributing to society.”

Nonami: I agree. We are entering a time in which data science will be very valuable. I believe Sodick should pursue a service strategy that other companies cannot yet achieve, by introducing IoT and the “Internet of machine tools” for integrated management of customer and equipment information, to identify what kind of manufacturing is the most productive and contribute to customers’ productivity and growth.

Kudo: At the same time, I believe we should put more effort into “cultivating people with care” and achieve a succession plan. The development spirit that is Sodick’s legacy is not just in manufacturing, it is also used to pursue new challenges like sales methods that have not previously existed anywhere and diverse and flexible human resource policies, and I would like to cultivate these kinds of management resources.



Kenzo Nonami External Director

- 1985 ● Researcher Engineer of National Aeronautics and Space Administration (NASA)
- 2008 ● Director and Vice President of Chiba University (Research)
- 2012 ● Chairman of Mini Surveyor Consortium (currently Japan Drone Consortium) (current post)
- 2013 ● Representative Director and CEO of Autonomous Control Systems Laboratory Ltd.
- 2019 ● Chairman of the Board of Advanced Robotics Foundation (current post)
- 2020 ● External Director of Sodick Co., Ltd. (current post)

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 consists of six internal directors and four highly independent external directors to ensure management transparency and strengthen fair decision-making, thereby ensuring effective supervision of business execution and provision of 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.

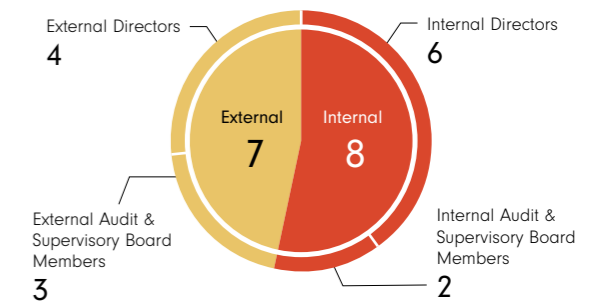
To supplement the functions of the Board of Directors, Sodick has established the Advisory Committee on Personnel and the Committee on Compensation whose members may include External Directors on an optional basis. This has increased the transparency of decision-making and ensures that directors’ remuneration 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 are provided written reports 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 Committee on Personnel and Committee on 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 Committee on Compensation (2 internal directors and 3 external directors)
2021	● Election of a female Audit & Supervisory Board Member

Corporate Governance Structure (as of end-March 2022)

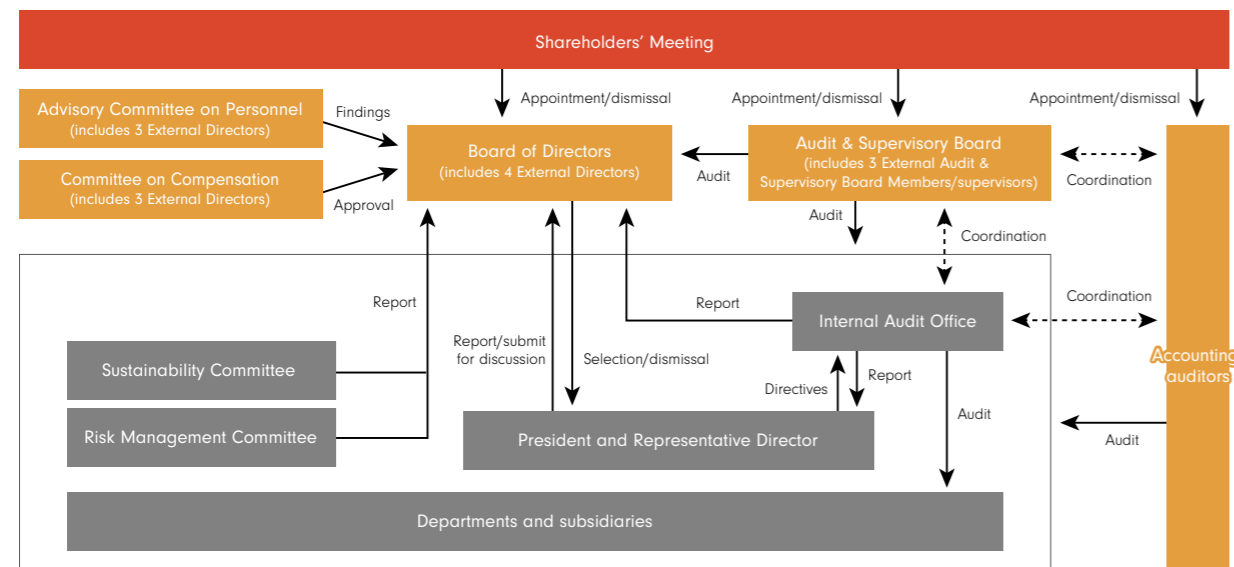
Organizational Plan	Company with an Audit & Supervisory Board
Directors	10 Directors*1 (of which 4 are external directors) Chair of Board of Directors: President
Audit & Supervisory Board Members	5 Audit & Supervisory Board Members*2 (of which 3 are external auditors)
Term of Appointment for Directors per the Articles of Incorporation	2 years
Company with Executive Officer System	Yes
Optional Advisory Committees of Board of Directors	Advisory Committee on Personnel Committee on Compensation
Accounting Auditors	Grant Thornton Taiyo LLC
Corporate Governance Report*3	https://www.sodick.co.jp/sustainability/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 2022)



► **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 six internal directors 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 management 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 and Representative Director	External Director	External Director	External Director
	Kenichi Furukawa (Chair)*	Yuji Kaneko	Ichiro Inasaki	Kazunao Kudo
				Kenzo Nonami

► **Committee on Compensation**

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

Members	President and Representative Director	External Director	External Director	External Director
	Kenichi Furukawa (Chair)*	Yuji Kaneko	Ichiro Inasaki	Kazunao Kudo
				Kenzo Nonami

* President Furukawa is the Chair of both the Advisory Committee on Personnel and the 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 December 2021 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 December 2022 Management Policy We will work to improve deliberations and enhance the supervisory function by sending agenda items more promptly in advance, and review agenda and reporting items, etc.

	Results for year ended December 2021	Issues for year ending December 2022
Overall effectiveness	<ul style="list-style-type: none"> Reduction of criteria for agenda items Consideration of reduction of cross-shareholdings Discussion of succession plan 	<ul style="list-style-type: none"> Review of meeting bodies Enhancing discussions concerning capital cost Enhancing discussions concerning sustainability
External officer	<ul style="list-style-type: none"> Enhancement of 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 management 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

Role	Performance-related compensation		
	Basic 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)

Details for Officer Compensation (Fiscal Year ended December 2021)

Officer category	Total compensation (million yen)	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)	249	199	7	42	6
Audit & Supervisory Board Member (excluding External Auditor)	32	32	—	—	2
External Officer	47	47	—	—	8
Total	328	278	7	42	16

Policy for Deciding the Details of Individual Compensation for Directors

- How the policy for deciding the details of individual compensation for directors is determined**
The 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 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 2021 is in accordance with Decision Policy

The 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.

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 procurement of raw materials and parts
- 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: Medium 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: Medium Degree of impact: Major

Sodick's response

We have established a system of local production for local use, including fulfilling sales in the Chinese market with production in China, to reduce the impact of trade policies in China and other countries.

In other regions, 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 will also promote sales in Southeast Asia and emerging countries like India, where growth can be expected, with the aim of reducing our reliance on the Chinese market by optimizing our breakdown of sales by region.

Risks Related to Procurement of Raw Materials and Parts

Likelihood of occurrence: High Degree of impact: Medium

Sodick's response

We have established a basic procurement policy and globally procure the most suitable parts based on appropriate standards of quality, price, and stability, following buildup of trust and mutual understanding with suppliers. In order to ensure stable procurement of parts and materials, we have secured multiple procurement routes and suppliers in Japan and overseas to diversify our procurement sources and address risks such as shortages of parts and materials and soaring costs of materials and logistics.

Furthermore, in order to identify risks throughout the supply chain, we survey suppliers to determine the status of their business continuity plans (BCPs), and based on the results of these surveys, we diagnose, maintain, and update our BCP.

Risks Related to Corporate Social Responsibility

Likelihood of occurrence: Medium Degree of impact: Medium

Sodick's response

In light of changing social demands, the Sodick Group has established a specialized committee, which is chaired by the President and Representative Director to systematically continue its efforts on important themes such as compliance, social contribution, human resource development, quality control, and the environment. In addition, the Sodick Group is actively involved in manufacturing next-generation automobiles, vehicle weight reduction, and other efforts to reduce environmental impact, thereby promoting business development that contributes to a sustainable society through manufacturing that takes the global environment into consideration.

Risks Related to Natural and Other Disasters

Likelihood of occurrence: Medium Degree of impact: Major

Sodick's response

To minimize damage and ensure business continuity, the Sodick Group has formulated and is implementing a business continuity plan (BCP). In addition to building a disaster-resistant production system by decentralizing production centers and introducing a safety confirmation system to help speed up post-disaster recovery activities, we have various types of insurance to cover financial losses caused by natural disasters.

	03/2013 FY	03/2014 FY	03/2015 FY	03/2016 FY		03/2017 FY	12/2017 FY	12/2018 FY	12/2019 FY	12/2020 FY	Unit: million yen 12/2021 FY	Unit: US\$1,000*1 12/2021 FY
Business performance												
Net sales	55,031	56,899	63,090	65,146		61,812	65,604	82,716	67,591	58,030	75,174	653,238
Cost of sales	38,296	40,232	42,215	41,369		39,318	42,445	52,488	45,421	39,779	49,461	429,801
Gross profit	16,734	16,667	20,874	23,777		22,494	23,159	30,227	22,169	18,250	25,713	223,437
Selling, general and administrative expenses	12,719	14,014	15,984	17,424		17,257	15,669	20,338	18,747	16,397	18,899	164,230
Operating income	4,021	2,651	4,891	6,353		5,236	7,490	9,888	3,422	1,852	6,813	59,207
Ordinary income	5,356	3,886	5,647	5,719		4,620	7,910	9,619	3,558	2,046	8,588	74,628
Profit before income taxes	5,170	3,857	5,129	5,748		4,193	7,772	8,929	3,369	2,078	8,538	74,199
Profit attributable to owners of the parent	4,191	4,194	3,550	4,167		3,644	5,736	6,462	2,002	1,346	6,591	57,282
R&D expenses	1,832	2,004	2,494	3,408		3,518	3,344	3,902	3,483	3,220	3,216	27,953
Facility investments	5,460	3,136	2,232	2,887		2,594	4,588	8,576	6,561	2,448	3,451	29,989
Depreciation	2,204	2,559	2,659	2,765		2,697	2,360	3,085	3,664	3,399	3,452	30,004
Financial status												
Total assets	95,041	98,776	104,167	99,722		109,271	121,815	119,082	114,647	116,117	134,866	1,171,937
Net assets	36,033	42,451	49,453	49,758		48,710	55,166	58,129	58,745	57,976	74,438	646,838
Interest-bearing debt	41,506	39,480	35,758	33,826		40,953	41,704	39,524	38,637	41,385	33,741	293,198
Cash flow												
Cash flows from operating activities	2,766	5,577	8,298	6,579		8,373	4,522	9,275	8,336	5,270	7,642	66,413
Cash flows from investing activities	-4,776	-4,181	-144	-2,773		-2,132	-4,715	-8,188	-5,609	-1,410	-2,203	-19,144
Free cash flow	-2,009	1,395	8,153	3,806		6,240	-193	1,087	2,727	3,860	5,439	47,269
Cash flows from financing activities	-1,163	-3,696	-5,243	-2,854		3,134	-439	-3,485	-2,228	1,665	-1,932	-16,792
Per-share indicators												
Earnings per share (EPS) (Yen/US\$*1)	83.29	83.36	70.55	82.82		76.91	122.15	137.58	42.58	28.63	125.67	1.09
Net assets per share (BPS) (Yen/US\$*1)	715.26	842.40	981.47	987.01		1,035.19	1,172.12	1,235.46	1,247.06	1,230.53	1,376.33	11.96
Dividends per share (Yen/US\$*1)	14.00	14.00	20.00	18.00		19.00	22.00	24.00	25.00	25.00	26.00	0.23
Key financial indicators												
Ratio of gross profit to net sales	30.4%	29.3%	33.1%	36.5%		36.4%	35.3%	36.5%	32.8%	31.4%	34.2%	
Ratio of operating income to net sales	7.3%	4.7%	7.8%	9.8%		8.5%	11.4%	12.0%	5.1%	3.2%	9.1%	
Ratio of ordinary income to net sales	9.7%	6.8%	9.0%	8.8%		7.5%	12.1%	11.6%	5.3%	3.5%	11.4%	
Return on equity (ROE)*2	12.8%	10.7%	7.7%	8.4%		7.4%	11.1%	11.4%	3.4%	2.3%	10.0%	
Ratio of ordinary income to total assets (ROA)*3	5.7%	4.0%	5.6%	5.6%		4.4%	6.8%	8.0%	3.0%	1.8%	6.8%	
Debt-to-equity ratio (D/E ratio)*4 (times)	1.17	1.02	0.86	0.75		0.92	0.84	0.72	0.69	0.74	0.49	
Equity ratio*5	37.9%	42.9%	47.4%	49.8%		44.5%	45.2%	48.7%	51.2%	49.9%	55.2%	
Dividend on equity (DOE)*6	2.0%	1.8%	2.4%	2.0%		2.0%	2.1%	2.1%	2.1%	2.1%	2.3%	
Ratio of overseas sales	63.7%	60.4%	64.1%	63.8%		62.7%	69.6%	65.8%	62.0%	66.0%	70.8%	
Average exchange rate over the period Yen/USD	82.91	100.17	109.76	120.15		108.34	111.69	110.44	109.03	106.76	109.90	
Yen/EUR	106.78	134.21	138.69	132.60		118.74	128.55	130.35	122.03	121.88	129.91	
Yen/CNY	12.66	15.87	17.14	19.21		16.32	16.62	16.71	15.77	15.48	17.01	
Yen/THB	2.70	3.19	3.38	3.44		3.08	3.33	3.42	3.52	3.42	3.44	
Other												
Number of employees (consolidated)	2,921	2,999	3,183	3,216		3,415	3,651	3,676	3,579	3,633	3,683	

*1 US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

*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*
	12/2020 FY	12/2021 FY	12/2021 FY
Assets			
Current assets			
Cash and deposits	¥ 38,920	¥ 45,274	\$ 393,422
Notes and accounts receivable-trade	13,268	18,363	159,574
Electronically recorded monetary claims-operating	2,149	2,104	18,291
Merchandise and finished goods	7,668	9,352	81,273
Work in process	7,159	8,851	76,914
Raw materials and supplies	6,492	9,427	81,919
Other	2,508	3,428	29,788
Allowance for doubtful accounts	-214	-425	-3,697
Total current assets	77,954	96,377	837,484
Non-current assets			
Property, plant and equipment			
Buildings and structures	28,136	29,049	252,429
Machinery, equipment and vehicles	21,095	22,214	193,036
Tools, furniture and fixtures	3,954	4,302	37,390
Land	7,222	7,278	63,251
Leased assets	2,403	2,882	25,047
Construction in progress	833	1,390	12,086
Accumulated depreciation	-33,287	-36,901	-320,660
Total property, plant and equipment	30,358	30,217	262,580
Intangible assets			
Goodwill	1,336	1,240	10,781
Other	892	1,032	8,972
Total intangible assets	2,228	2,273	19,753
Investments and other assets			
Investment securities	3,226	3,537	30,740
Long-term loans receivable	3	27	236
Deferred tax assets	1,112	1,199	10,420
Other	1,290	1,286	11,182
Allowance for doubtful accounts	-57	-52	-457
Total investments and other assets	5,575	5,997	52,120
Total non-current assets	38,162	38,488	334,453
Total Assets	¥ 116,117	¥ 134,866	\$ 1,171,937

* US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

	Unit: million yen		Unit: US\$1,000*
	12/2020 FY	12/2021 FY	12/2021 FY
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥ 4,297	¥ 6,423	\$ 55,819
Electronically recorded obligations-operating	3,870	6,724	58,436
Short-term loans payable	2,719	2,242	19,484
Current portion of bonds	8,121	140	56,725
Current portion of long-term loans payable	6,743	6,527	1,217
Accounts payable-other	883	1,599	13,896
Income taxes payable	401	1,207	10,496
Provision for product warranties	342	411	3,578
Provision for quality guarantee	5	3	27
Provision for bonuses	489	802	6,977
Provision for point card certificates	1	—	—
Provision for loss on compensation for damage	75	—	—
Other	4,196	7,622	66,237
Total current liabilities	32,146	33,705	292,890
Non-current liabilities			
Convertible bond-type bonds with subscription rights to shares	720	580	5,040
Long-term loans payable	23,081	24,251	210,732
Provision for directors' retirement benefits	22	20	175
Provision for product warranties	190	169	1,469
Net defined benefit liability	592	469	4,082
Asset retirement obligations	64	65	571
Other	1,322	1,166	10,140
Total non-current liabilities	25,993	26,722	232,208
Total Liabilities	58,140	60,428	525,099
Net Assets			
Shareholders' equity			
Capital stock	20,785	24,618	213,927
Capital surplus	5,877	9,739	84,633
Retained earnings	33,787	37,229	323,514
Treasury shares	-4,566	-3,117	-27,091
Total shareholders' equity	55,884	68,470	594,983
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	596	732	6,362
Foreign currency translation adjustment	1,746	5,402	46,945
Remeasurements of defined benefit plans	-328	-219	-1,911
Total accumulated other comprehensive income	2,014	5,914	51,395
Non-controlling interests	77	52	460
Total Net Assets	57,976	74,438	646,838
Total Liabilities and Net Assets	¥ 116,117	¥ 134,866	\$ 1,171,937

Consolidated Statements of Income

	Unit: million yen		Unit: US\$1,000*
	12/2020 FY	12/2021 FY	12/2021 FY
Net sales	¥ 58,030	¥ 75,174	\$ 653,238
Cost of sales	39,779	49,461	429,801
Gross profit	18,250	25,713	223,437
Selling, general and administrative expenses			
Personnel expenses	7,343	8,265	71,821
Provision of allowance for doubtful accounts	57	187	1,633
Amortization of goodwill	138	140	1,219
Provision for point card certificates	0	—	—
R&D expenses	2,216	2,324	20,195
Other	6,640	7,981	69,360
Total selling, general and administrative expenses	16,397	18,899	164,230
Operating income	1,852	6,813	59,207
Non-operating income			
Interest income	266	305	2,653
Dividends income	118	102	887
Foreign exchange gains	—	976	8,485
Equity in earnings of affiliates	71	99	865
Subsidy income	424	512	4,451
Gain on sale of scraps	16	37	327
Other	190	198	1,722
Total non-operating income	1,088	2,231	19,389
Non-operating expenses			
Interest expenses	285	327	2,850
Foreign exchange losses	393	—	—
Provision of allowance for doubtful accounts	49	1	9
Other	166	127	1,109
Total non-operating expenses	894	456	3,968
Ordinary income	2,046	8,588	74,628
Extraordinary income			
Gain on sales of non-current assets	28	28	251
Subsidy income	—	25	218
Gain on liquidation of subsidiaries and associates	129	—	—
Other	1	—	—
Total extraordinary income	159	53	469
Extraordinary losses			
Loss on sales of non-current assets	1	17	156
Loss on retirement of non-current assets	31	58	508
Loss on tax purpose reduction entry of non-current assets	—	25	218
Loss on valuation of shares of subsidiaries and associates	18	—	—
Provision of allowance for loss on compensation for damage	75	—	—
Other	1	1	17
Total extraordinary losses	128	103	898
Profit before income taxes	2,078	8,538	74,199
Income taxes – current	1,178	2,025	17,604
Income taxes – deferred	-444	-102	-895
Total income taxes	734	1,922	16,709
Profit	1,343	6,615	57,490
Profit (loss) attributable to non-controlling interests	-3	23	208
Profit attributable to owners of the parent	¥ 1,346	¥ 6,591	\$ 57,282

* US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

Consolidated Statements of Comprehensive Income

	Unit: million yen		Unit: US\$1,000*
	12/2020 FY	12/2021 FY	12/2021 FY
Profit	¥ 1,343	¥ 6,615	\$ 57,490
Other comprehensive income			
Valuation difference on available-for-sale securities	-304	135	1,176
Foreign currency translation adjustments	-515	3,611	31,386
Remeasurements of defined benefit plans, net of tax	-100	108	939
Share of other comprehensive income of entities accounted for using equity method	-23	53	461
Total other comprehensive income	-944	3,908	33,963
Comprehensive income	398	10,524	91,453
(Comprehensive income attributable to)			
owners of parent	401	10,491	91,169
non-controlling interests	¥ -2	¥ 32	\$ 284

* US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

Consolidated Statements of Changes in Equity

	Unit: million yen										
	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency transition adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income	Non-controlling interests	
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
12/2021 FY (from January 1, 2021 to December 31, 2021)											
Balance at beginning of current fiscal year	20,785	5,877	33,787	-4,566	55,884	596	1,746	-328	2,014	77	57,976
Changes of items during period											
Issuance of new shares-exercise of share acquisition rights	3,833	3,833			7,667						7,667
Dividends of surplus			-1,320		-1,320						-1,320
Reserve for the awards and welfare fund for employees of foreign subsidiaries			-14		-14						-14
Profit attributable to owners of the parent			6,591		6,591						6,591
Purchase of treasury shares				-413	-413						-413
Disposal of treasury shares				47	47						47
Cancellation of treasury shares			-1,814	1,814							
Purchase of shares of consolidated subsidiaries		6			6						6
Restricted stock compensation		21			21						21
Net changes of items other than shareholders' equity						135	3,656	108	3,899	-24	3,874
Total changes of items during fiscal year	3,833	3,861	3,441	1,449	12,586	135	3,656	108	3,899	-24	16,461
Balance at end of current fiscal year	¥24,618	¥9,739	¥37,229	¥-3,117	¥68,470	¥732	¥5,402	¥-219	¥5,914	¥52	¥74,438

	Unit: US\$1,000*										
	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency transition adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income	Non-controlling interests	
12/2021 FY (from January 1, 2021 to December 31, 2021)											
Balance at beginning of current fiscal year	\$180,616	\$51,076	\$293,604	\$-39,683	\$485,613	\$5,186	\$15,175	\$-2,850	\$17,509	\$674	\$503,796
Changes of items during period											
Issuance of new shares-exercise of share acquisition rights	33,312	33,312			66,623						66,623
Dividends of surplus			-11,477		-11,477						-11,477
Reserve for the awards and welfare fund for employees of foreign subsidiaries			-129		-129						-129
Profit attributable to owners of the parent			57,282		57,282						57,282
Purchase of treasury shares				-3,589	-3,589						-3,589
Disposal of treasury shares				415	415						415
Cancellation of treasury shares			-15,767	15,767							
Purchase of shares of consolidated subsidiaries		57			57						57
Restricted stock compensation		188			188						188
Net changes of items other than shareholders' equity						1,176	31,769	939	33,885	-214	33,671
Total changes of items during fiscal year	33,312	33,557	29,909	12,592	109,370	1,176	31,769	939	33,885	-214	143,040
Balance at end of current fiscal year	\$213,927	\$84,633	\$323,514	\$-27,091	\$594,983	\$6,362	\$46,945	\$-1,911	\$51,395	\$460	\$646,838

* US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

Consolidated Statements of Cash Flows

	Unit: million yen			Unit: US\$1,000*
	12/2020 FY	12/2021 FY	12/2021 FY	
Cash flows from operating activities				
Profit before income taxes	¥ 2,078	¥ 8,538	\$ 74,199	
Depreciation	3,399	3,452	30,004	
Amortization of goodwill	138	140	1,219	
Increase (decrease) in net defined benefit liability	-67	-29	-254	
Increase (decrease) in provision for bonuses	165	311	2,706	
Increase (decrease) in provision of allowance for doubtful accounts	50	180	1,566	
Interest and dividend income	-384	-407	-3,539	
Interest expenses	285	327	2,850	
Share of (profit) loss of entities accounted for using equity method	-71	-99	-865	
Foreign exchange losses (gains)	100	-250	-2,178	
Loss on valuation of shares of subsidiaries and associates	18	-	-	
Loss (gains) on sale and retirement of non-current assets	4	47	412	
Decrease (increase) in notes and accounts receivable-trade	-86	-4,352	-37,822	
Decrease (increase) in inventories	1,610	-5,471	-47,544	
Increase (decrease) in notes and accounts payable-trade	-1,102	4,801	41,722	
Increase (decrease) in accounts payable-other	-134	483	4,199	
Increase (decrease) in advances received	101	2,496	21,696	
Increase (decrease) in accrued consumption taxes	32	-266	-2,318	
Decrease (increase) in advance payments-trade	-30	-132	-1,148	
Subsidy income	-	-25	-218	
Loss (gain) on liquidation of subsidiaries and associates	-129	-	-	
Increase (decrease) in provision for loss on compensation for damage	75	-75	-652	
Other	529	-574	-4,995	
Subtotal	6,583	9,096	79,041	
Interest and dividends income received	267	280	2,435	
Interest expenses paid	-290	-327	-2,842	
Subsidies received	-	25	218	
Income tax refund (or paid)	-1,289	-1,431	-12,440	
Net cash provided by operating activities	5,270	7,642	66,413	
Cash flows from investing activities				
Payments into time deposits	-413	-200	-1,745	
Proceeds from withdrawal of time deposits	506	96	838	
Purchase of property, plant and equipment	-1,538	-2,107	-18,311	
Proceeds from sale of property, plant and equipment	68	539	4,688	
Purchase of intangible assets	-175	-344	-2,993	
Purchase of investment securities	-0	-0	-6	
Purchase of shares of subsidiaries and associates	-56	-	-	
Payments of loans receivable	-	-23	-205	
Collection of loans receivable	18	3	28	
Proceeds from liquidation of subsidiaries	129	-	-	
Other	51	-165	-1,436	
Net cash used in investing activities	-1,410	-2,203	-19,144	
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	227	-543	-4,719	
Proceeds from long-term loans payable	12,500	8,544	74,244	
Repayment of long-term loans payable	-9,810	-7,583	-65,899	
Redemption of bonds	-140	-454	-3,945	
Repayments of finance lease obligations	-250	-359	-3,124	
Proceeds from sale and leaseback transactions	416	254	2,211	
Purchase of treasury shares	-53	-413	-3,589	
Cash dividends paid	-1,176	-1,320	-11,477	
Other	-48	-56	-494	
Net cash provided by (used in) financing activities	1,665	-1,932	-16,792	
Effect of exchange rate change on cash and cash equivalents	-160	2,466	21,431	
Net increase (decrease) in cash and cash equivalents	5,364	5,973	51,908	
Cash and cash equivalents at the beginning of the period	32,890	38,255	332,425	
Cash and cash equivalents at the end of current period	¥ 38,255	¥ 44,229	\$ 384,334	

* US\$ amounts are converted at the rate of US\$1 = 115.08 yen observed in trading in the Tokyo foreign currency market as of December 31, 2021.

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: 24,618 million yen

Total number of authorized shares: 150,000,000

Total number of shares issued: 58,292,239

Total number of shareholders: 13,821

Number of employees: 924 (3,683 consolidated)

Fiscal year: January 1 - December 31

Annual shareholders' meeting: March

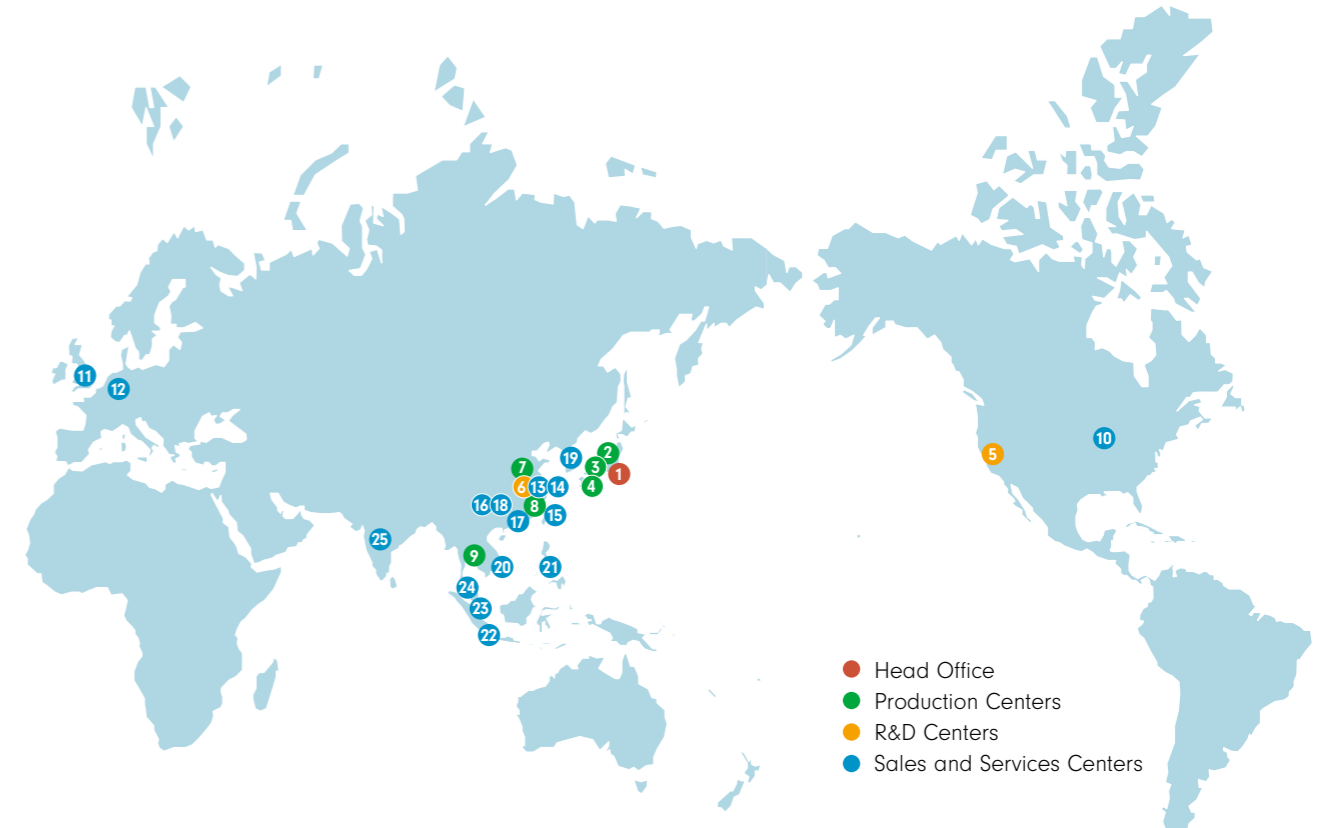
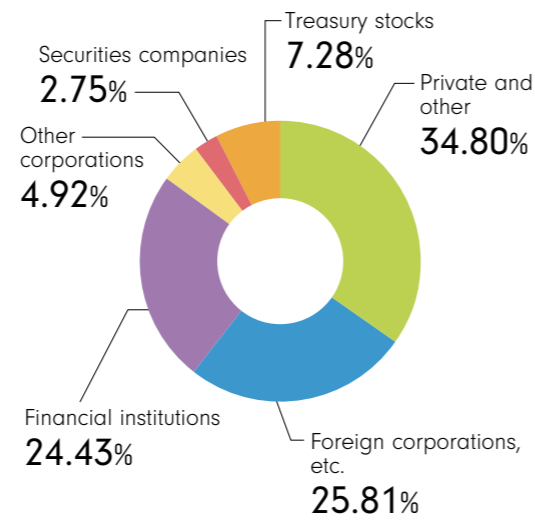
Administrator of the shareholder register:

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

Major Shareholders

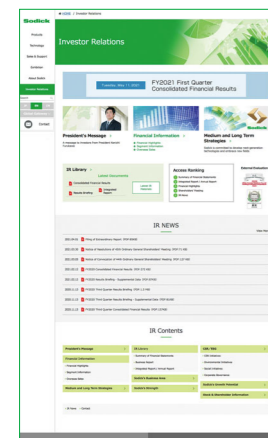
	No. of shares (shares)	Percent ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,216,100	10.66
Sodick Co., Ltd.	4,246,368	7.28
Custody Bank of Japan, Ltd. (trust account)	2,705,000	4.64
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	2,227,400	3.82
Custody Bank of Japan, Ltd. (trust account 9)	1,318,800	2.26
Kiyoshi Morita	1,075,070	1.84
Sodick Business Partner Stock Ownership Association	948,000	1.63
TF Co., Ltd.	895,000	1.54
Sumitomo Mitsui Banking Corporation	850,000	1.46
BANQUE PICTET AND CIE SA	818,400	1.40

Share Distribution by Holder



<p>1 Sodick Head Office/ Technical Training Center</p>	<p>2 Sodick Kaga Office</p>	<p>3 Sodick Fukui Office</p>	<p>4 Sodick F.T Miyazaki Office</p>
<p>5 Sodick America Corporation (San Jose)</p>	<p>6 Shanghai Sodick Software Co., Ltd.</p>	<p>7 Suzhou Sodick Special Equipment Co., Ltd.</p>	<p>8 Sodick Amoy Co., Ltd.</p>
<p>9 Sodick (Thailand) Co., Ltd.</p>	<p>10 Sodick, Inc. (Chicago)</p>	<p>11 Sodick Europe Ltd. (U.K.)</p>	<p>12 Sodick Deutschland GmbH (Germany)</p>
	<p>13 Sodick Electromechanical (Shanghai) Co., Ltd.</p>	<p>14 Sodick Tom (Shanghai) Co., Ltd.</p>	<p>15 Sodick (Taiwan) Co., Ltd.</p>
	<p>16 Sodick International Trading (Shenzhen) Co., Ltd.</p>	<p>17 Sodick (H.K.) Co., Ltd.</p>	<p>18 Sodick Enterprise (S.Z.) Co., Ltd.</p>
		<p>19 Sodick Korea Co., Ltd.</p>	<p>20 Sodick Vietnam Co., Ltd.</p>
		<p>21 Sodick Philippines Inc.</p>	<p>22 PT Sodick Technology Indonesia</p>
		<p>23 Sodick Singapore Pte., Ltd.</p>	<p>24 Sodick Technology (M) Sdn Bhd.</p>
			<p>25 Sodick Technologies India Pte., Ltd.</p>

Sodick IR Site



Please feel free to use our IR site.

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



Sodick's Strength

Gives a concise overview of our operations, our strengths, and our growth strategy.

Now accepting questions

Please use our inquiry form for questions. Note that the FAQ is only available in Japanese.



Sodick News Letter
A web magazine that communicates Sodick's spirit of creativity

Sodick's PR character "TF-1" reports from various angles on the technology, people and events that together make up the Sodick spirit.

On the Publication of Sodick Integrated Report 2021

This report is intended to give shareholders, investors, and a wide range of other stakeholders a better understanding of our value-creation story that seeks to achieve the Sodick vision of “Helping to create a sustainable society through manufacturing.” The report includes excerpted information deemed particularly important to readers, including basic information, financial data, management strategies, and environmental, social, and governance (ESG) information based on major guidelines.

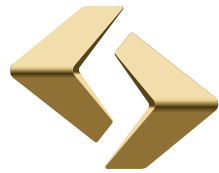
Production was led by an administrative structure with the Office of the President, Corporate Division, Sodick Co., Ltd., as the responsible division, and many business departments, including the machine tools, industrial machinery, and food machinery divisions, the Production Management Division, the Human Resources Department, the General Affairs Department, the EFM Department, Sodick F.T, and Sodick (Thailand) Co., Ltd. cooperated in the planning and production. To disclose accurately the actual state of our corporate activities, management was directly involved with regard to content pertaining to areas including organizational strategy, governance, business results and forecasts, and policies for materiality and sustainability. I hereby certify that the production process and the information contained in this report are legitimate.

Please refer to the Sodick corporate website (<https://www.sodick.co.jp/en/>) for detailed information in addition to that contained in this report.

Going forward, Sodick will strive to refine its corporate strengths and enhance corporate value through constructive dialogue with its stakeholders. I look forward to your candid opinions regarding Sodick’s management and corporate activities.



Hirofumi Maejima
Executive Managing Director,
Corporate Division



Sodick

Sodick Co., Ltd.

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Yokohama, Kanagawa, 224-8522 Japan
Phone: +81-45-942-3111

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