



Sodick Co., Ltd.

Integrated Report 2024



CONTENTS

Value Creation Story

Transition of Value Creation/Sodick's History	03
At a Glance	05
Sodick's Value Creation Process	07

Strategy/Business Model

Dialogue between Chairman and President	09
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Message from the President	11
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Progress of the Medium-Term Management Plan	15
Message from the Director in Charge of Corporate Division	17
Strategy of Each Segment	
Machine Tool Segment	21
Industrial Machinery Segment	23
Food Machinery Segment	25
Other Segments	27
Participation in Major Exhibitions	28
Intellectual Property Strategy	29
Technology Strategy	31

Sodick Group's Value Creation

Sodick's Sustainability	33
Progress of Materiality Initiatives	35
Examples of Creating Value	37
Environmental Initiatives	43
Disclosure Based on TCFD Recommendations	45
Social Initiatives	47
Supply Chain Initiatives	51
Sodick's Governance Reforms	53
Governance Dialogue	55
Corporate Governance	57
Management Team	63
Risk Management	65

Ten-Year Financial Summary 67

Consolidated Financial Statements

Consolidated Balance Sheets	69
Consolidated Statements of Income	71
Consolidated Statements of Comprehensive Income	72
Consolidated Statements of Changes in Equity	73
Consolidated Statements of Cash Flows	74

Corporate Overview/Stock Information 75

Group Network 76

Responsibility for Publication 77

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.

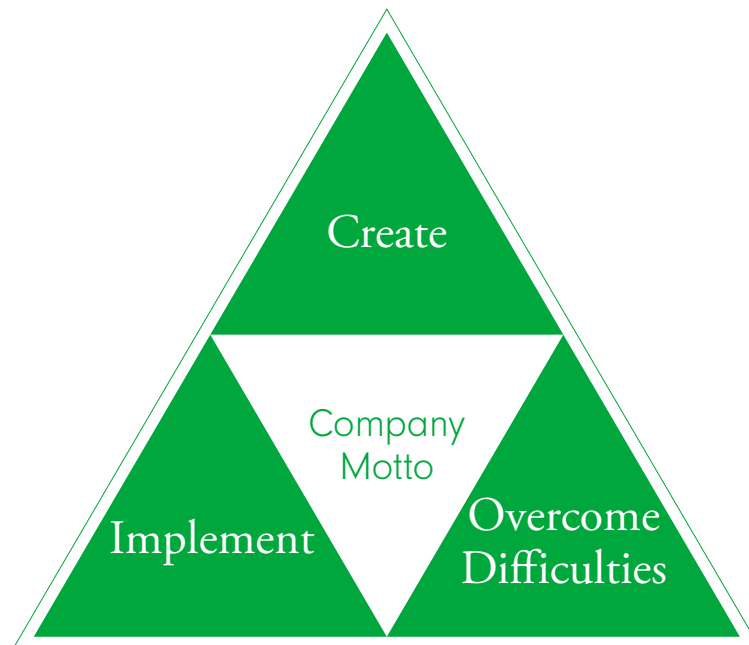
There are a number of important factors that could potentially affect our performance. These include the economic climate surrounding the business fields of Sodick and the Sodick Group in Japan, the Americas, Europe, Greater China, Asia, and other regions; downward pressure on prices due to changes in 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.

Origins/Development Philosophy

**“We create it if it does not exist.”
to contribute to our customers’
manufacturing operations.**

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” (jicko) 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 appreciate and trust to use. By consistently putting our motto into practice, we continuously 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 FY2024. Some of the content included herein dates from immediately before or after the period in question.

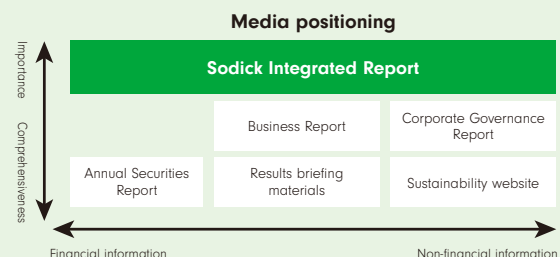
Information Disclosure Framework

This report features carefully selected, highly important information related to the enhancement of Sodick's corporate value.

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.



環境社会
ガバナンス
価値協創ガイダンス
Guidance for
Collaborative Value Creation

Transition of Value Creation/Sodick's History

Continuing to Create the Future

Sodick began when our founder, Toshihiko Furukawa, developed the world's first technology that held the key to the practical application of electrical discharge machines (EDMs).

Since then, we have supported technological innovation in Japan and around the world with a number of "world firsts." We will continue to contribute to society going forward through future-oriented manufacturing.

1976-

Starting Point

Toshihiko Furukawa established Sodick

1976 In August, Sodick Co., Ltd. was established in Midori-ku (currently, Aoba-ku), Yokohama, with 24 employees

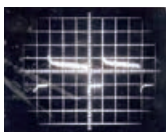
In December, the Company delivered the first NC die-sinker EDM with a microcomputer

1977 "GPC" power supply series for NC die-sinker EDM completed

1978 Head Office relocated to Nippa-cho, Kohoku-ku, Yokohama



Toshihiko Furukawa at the time of Sodick's establishment in 1976



The discharge waveform of non-wearable electrode circuits (reverse polarity, long pulse) discovered by Toshihiko Furukawa around 1963

Technical Development & Remarkable Growth

Development of world's first NC EDM

1980 Fukui Office completed in Sakai-cho, Sakai-gun (currently, Sakai City), Fukui Prefecture as a main production center

Started sales of NC die-sinker EDM in the United States

1981 Started sales of the "330W" NC wire-cut EDM equipped with five-axis control

1982 New Head Office completed in Shin Yokohama, Kohoku-ku, Yokohama

1986 Company's shares listed on the Second Section of the Tokyo Stock Exchange

1987 Kaga Factory completed as second production center (automated EDM production system introduced)

1988-

Overseas Development

Sodick Thailand became first overseas production center

1988 Expanded overseas

Established Sodick (Thailand) Co., Ltd. in Thailand

1989 Started the injection molding machine business

Developed and sold injection molding machine with our proprietary V-LINE technology

1989 Completed construction of Research and Technology Center in Kohoku-ku, Yokohama



Sodick (Thailand) Co., Ltd.



TR50S2
Injection molding machine with our proprietary V-LINE technology

Period of Accelerated Growth

Full-scale entry into China

1991 Acquired shares of Japax, Inc.

Established a software company in Shanghai, China

Total sales of the "A series" NC wire-cut EDMs reached 2,000 units

1993 Established Sodick Singapore Pte., Ltd. in Singapore

1994 Began setting up production and sales structure in China, established Suzhou Sodick Special Equipment Co., Ltd. in Suzhou, China

1997 Head Office relocated to Nakamachidai, Tsuzuki-ku, Yokohama

Established Sodick (Taiwan) Co., Ltd. in Taiwan

Established Sodick Electromechanical (Shanghai) Co., Ltd. in Shanghai, China

Released the "MC series" machining center



China Suzhou Factory

1998-

Technical Innovation

World's first high-speed NC die-sinker EDM equipped with linear servo motor

1998 Released the "TR80EH" hybrid injection molding machine

Released the "AM series," the world's first high-speed NC die-sinker EDM equipped with linear servo motor

1999 Released the "AQ series" NC die-sinker EDM equipped with linear servo motor on three axes



AM35L
World's first EDM equipped with linear servo motor

2000-

Taking on Challenge of Nano-Level Accuracy

Ultra-precision linear nano-machining center

2000 Established Sodick America Corporation (R&D center) in Silicon Valley, United States

Established Sodick Europe Ltd. in the United Kingdom as first European sales center

2001 Sodick Plustech Co., Ltd. listed on JASDAQ stock market

Released the "NANO-100," the world's highest-class nano-level precision processor

2002 Released the "LQ series" NC power supply equipped with 3D solid model

Released the "MC430L" ultra-precision linear nano-machining center



NANO-100
Ultra-high-precision nano-level processor

2003-

Market Expansion

Top market share in high-end market

2003 Developed and released the "LQ33W," the world's fastest high-speed NC power supply for wire-cut EDM

2005 Achieved the world's fastest total shipments of 10,000 linear motor drive machines

2005 Sodick Hightech Co., Ltd. listed on the Hercules stock market of the Osaka Securities Exchange

2006 Established Sodick Amoy Co., Ltd. in Xiamen, China



China Amoy Factory

2007-

Progression of Linear Technology

Ultra-precision with linear motor drive

2007 Started the food machinery business, began developing, manufacturing, and selling noodle-making machines

2008 Total shipments of linear motor drive machines reached 20,000 units

Released the "AG40L" and "AG60L" linear motor drive high-speed die-sinker EDMs

Released the "AG400L" and "AG600L" linear motor drive high-speed/high-performance wire-cut EDMs

Released the "AZ250" nano-machining center

2009 Sodick merged with its subsidiary Sodick Hightech Co., Ltd.

2010 Announced new business expansion for LED-lighting segment

2012-

Expanding Business Fields

Full-scale entry into the food machinery segment

2012 Sodick merged with its subsidiary Sodick Plustech Co., Ltd.
Established Sodick Vietnam Co., Ltd. in Vietnam

2013 Completed construction of the Second Factory of Sodick (Thailand) Co., Ltd.

2014 Released the "OPM250L" linear motor drive precision metal 3D printer
The "OPM250L" later won the Nikkan Kogyo Shimbun "Main Award of the 57th (2014) Best 10 New Product Awards"

2015 Company's shares listed on the First Section of the Tokyo Stock Exchange

2016 Completed construction of food machinery plant at Kaga Factory

2017 Began developing, manufacturing, and selling aseptically-packed cooked rice production systems

2018 Completed construction of Multi-factory at Kaga Factory

2018 Opened new technical center at Sodick, Inc. in the United States

Completed construction of second building at Sodick Head Office/Research and Technology Center

2019 Established Sodick Singapore Techno Centre Pte., Ltd. in Singapore
Developed world first "SRT method" for stable molding of large-scale metal mold parts using a metal 3D printer
Opened new technical center at Sodick Europe Ltd. in the United Kingdom



Kaga Multi-factory



Cooked rice production systems (part of aseptically-packed cooked rice production systems)

2020-

A New Age

Corporate transformation aiming for rapid, new growth

2020 Selected as one of "The 100 Global Niche Top Companies" for 2020 by the Ministry of Economy, Trade and Industry (METI)

2020 Released the "INFILT-V" injection molding system for biodegradable plastics

2021 The "K4HL" linear motor drive ultra-high-speed small-hole drilling EDM won the "Main Award of the 63rd (2020) Best 10 New Product Awards"

2022 The "LPM325S" high-speed building metal 3D printer won the "Main Award of the 64th (2021) Best 10 New Product Awards"

Stock listing transferred to Prime Market of the Tokyo Stock Exchange

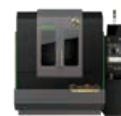
Rapid cooling equipment for granule powder (food machinery) won Judging Committee Prize at the 1st FOOMA Award 2022

2023 Expanded new food machinery plants (at Kaga Factory and China Amoy Factory)

Released the "LSP5070" femtosecond laser processing machine

2024 Two models of die-sinker EDMs were registered as "Future Technology Heritage" by Japan's National Museum of Nature and Science

2025 The "AX350L iGroove+ Edition" ultra-precision wire-cut EDM won the "Main Award of the 67th (2024) Best 10 New Product Awards"

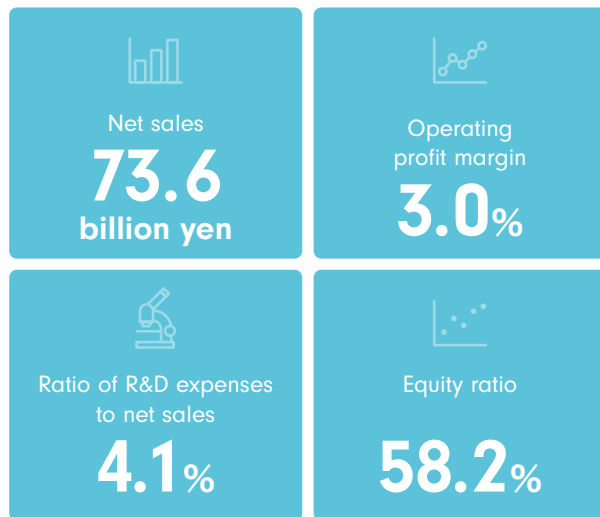
LSP5070
Femtosecond laser
processing machineAX350L
Ultra-precision wire-
cut EDM

At a Glance

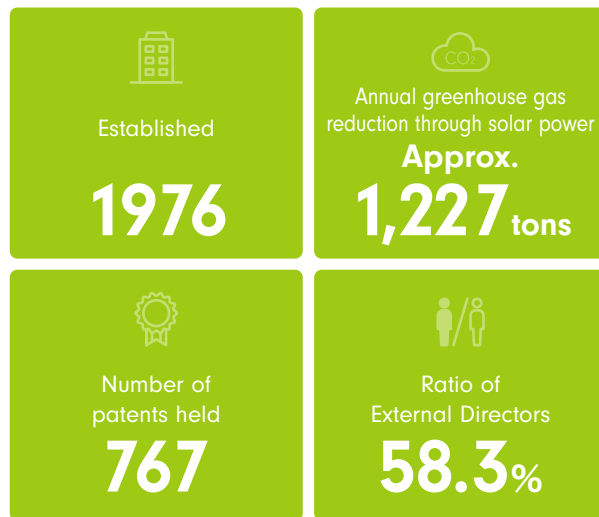
Sodick in Numbers

Since its founding, Sodick has supported manufacturing as a leading company in EDMs through its research into electrical discharge control and the development of NC units. Going forward, we will continue contributing to society through manufacturing.

< Financial information >

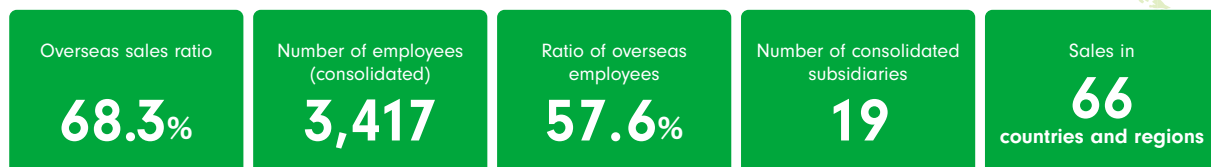
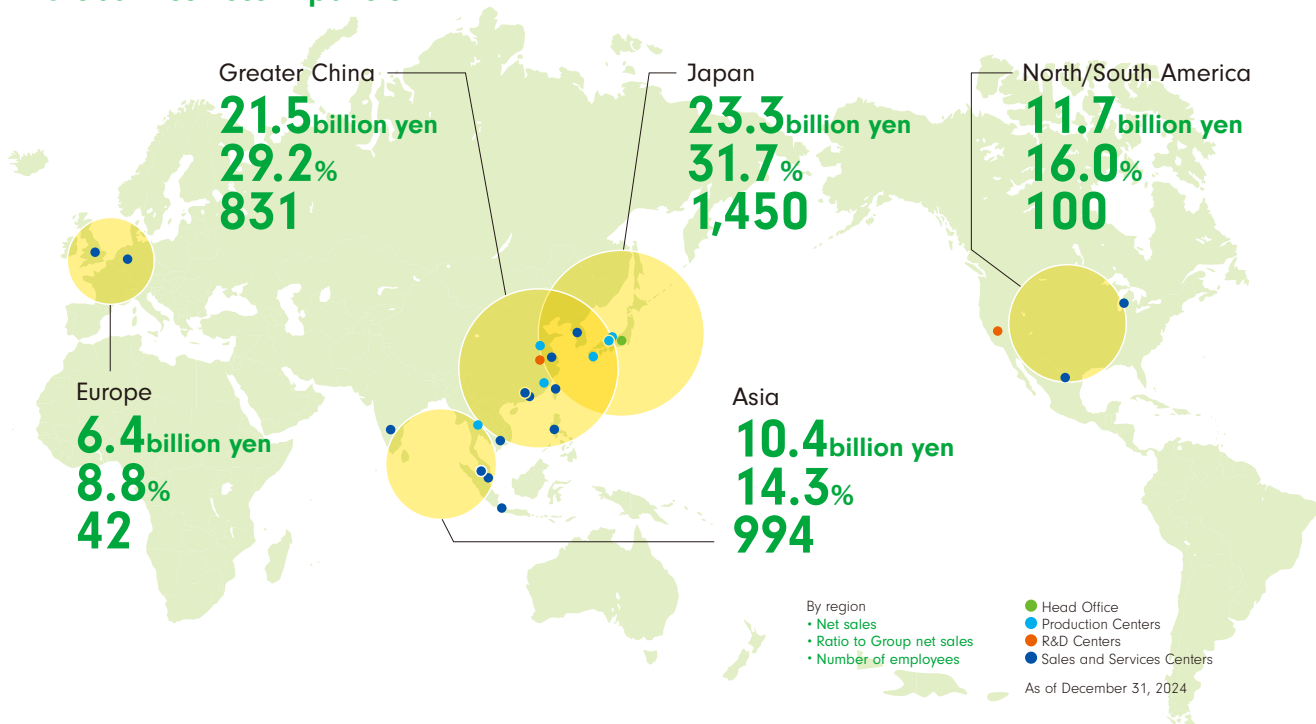


< Non-financial information >



As of December 31, 2024

Global Business Expansion



Sodick Is All Around You

Our technologies and machines play a behind-the-scenes role, supporting global manufacturing across a variety of industries, including automobiles, semiconductors, IT, smartphones, aerospace, and food.



1 Automobiles

Our products are used across a wide range of fields, from automobile sensors and motors to electric components.



2 Information/communications and electrical/electronics

Our products are used to manufacture fine components used in smartphones, tablets, connectors, and the like.



3 Aerospace

Our products are used in the machining of turbine blades and other engine components of aircraft and rockets.



4 Medical devices

Our products are widely used in such areas as surgical implants, syringes, and surgical robots.



5 Noodles

Our products are used to manufacture a wide variety of noodles, including chilled noodles, frozen noodles, and long shelf-life noodles.



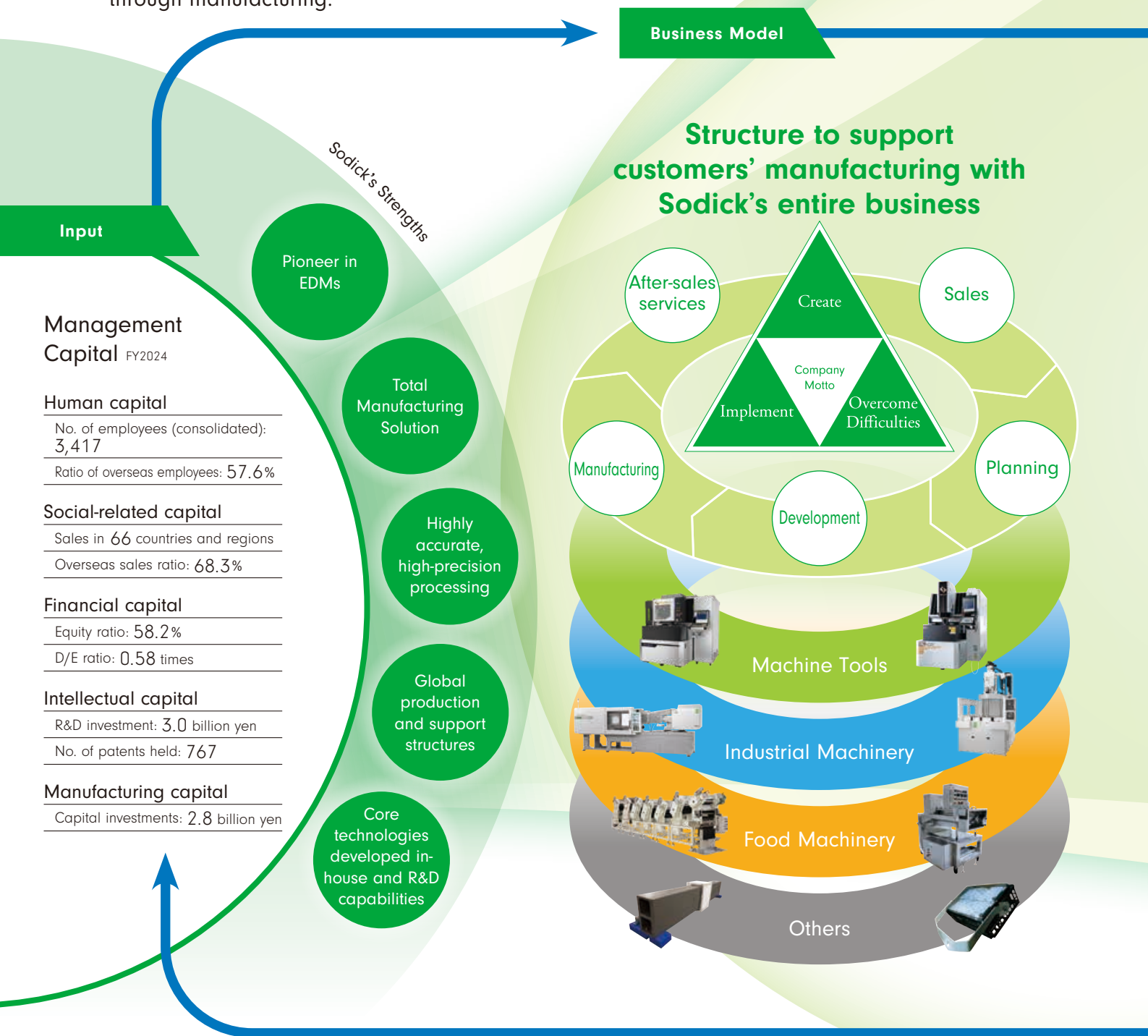
6 Packaged cooked rice and precooked side dishes

Our products are used to manufacture packaged cooked rice and precooked side dishes sold at supermarkets and convenience stores.



Sodick's Value Creation Process

Guided by its unique spirit of development, Sodick has cultivated its strengths by sincerely listening to the voices of its customers. We will continue addressing a wide range of social issues and market needs through new technologies and products that we develop in close partnership with our customers. Our aim is to help build a sustainable society through manufacturing.



Market Needs and Social Issues (Opportunities and Risks)

Increasingly uncertain global situation

Business portfolio reform

Goals

Contributing to a sustainable society through manufacturing by further improving in-house technologies and promoting application development to new product groups

Output

Outcome

Medium-Term Management Plan

Achievement of structural reforms

Management infrastructure reform



- Develop human resources
- Reform organizational culture
- Strengthen global management
- Enhance sustainability management
- Improve cash flow

Earnings structure reform



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

Establishment of competitive advantage



- Use digital transformation (DX) to transform business model
- Allocate resources to growth areas
- Create growth drivers

Foundation to Support Sustainable Value Creation

—Sodick's materiality—

Contributing to evolving manufacturing

Addressing environmental management

Promoting diversification of human resources

Strengthening governance

High-quality,
high-efficiency
processing

Reduced
environmental
impact

Turnkey
solutions

Relationships
of trust with
customers

Long-term vision for further advancement

Optimize
the business portfolio



Strengthen
global management



Enhance sustainability
management



Capital growth

Changing
trends in capital
investments

Supply chain
restructuring

Digitalization,
automation,
labor savings

More
sophisticated
manufacturing

Dialogue between Chairman and President

Under its new management structure, Sodick is aiming for a full-scale global shift.

In 2025, Sodick renewed its management structure. Here, Kenichi Furukawa, our new Chairman and Representative Director, and Yuji Akutsu, CEO, President and Representative Director, look back at FY2024 and share their outlook for the future.

FY2024: A year of steady progress in cost reforms

Furukawa: As part of the structural reforms initiated in 2024, we placed top priority on reorganizing our production structure to maintain an overall business cost balance. The main reason we turned a profit in FY2024 was the impact of fixed cost reductions. Despite the increase in sales, profit growth—excluding the effects of foreign exchange—remained insufficient, indicating that a full-scale recovery of our business is yet to come. Looking at the profitability of each factory, our factory in Thailand remains in the red as we focus on maintaining a certain level of production capacity. In FY2025, we aim to return to profitability by increasing unit sales.

Nevertheless, I believe we have made progress in shifting our mindsets toward profitability. As the impact of our efforts begins to show, I expect to see further improvements in our cost balance—moving us closer to the high-profit structure we are aiming for.

Akutsu: Our domestic sales team is also developing

a stronger sense of profitability. In addition to cost control, awareness about how to secure steady profit is growing greatly, which gives me a reason for optimism in 2025. Already in 2024, we have launched projects to deliver total manufacturing solutions, such as the production of ultra-precision optical connectors (MT ferrules), where our products are used comprehensively, from mold production to part manufacturing.

Furukawa: Our engineers have always viewed the development of products that resolve customer challenges as their mission, which in some cases has meant that profitability was not fully prioritized. Nevertheless, this mindset enables us to create machines capable of ultra-precision processing that other companies cannot replicate. By focusing our product offerings on industries earmarked for further advances, such as generative AI, I believe we can also achieve stronger profitability.

Strengthening our organizational capabilities to accelerate global market expansion

Furukawa: A key strategy of structural reforms is to reduce our dependence on China. This means selling high-value-added machinery in the U.S. and European markets and developing after-sales service businesses in countries around the world. The global machine tool market is rapidly advancing toward greater automation and system integration. To succeed in markets like the United States and Europe, which are ahead of Japan in many respects, I believe people with local market knowledge should be the ones executing our strategy. Mr. Akutsu has spent most of his career in the United States and has longer overseas experience than anyone in the Company. He established our after-sales service business there and has a deep understanding of our customers. Since 2016, he has served as President of Sodick, Inc., a U.S. sales subsidiary, earning strong trust from users across North America and

demonstrating proven negotiation capabilities on the global stage. With our return to profitability in FY2024, we felt it was an ideal time for a leadership transition and made the decision to restructure our management team. As Chairperson of the Board of Directors, I will focus on internal controls and corporate governance, further clarifying the separation between execution and supervision, while providing strong support to our new President, Mr. Akutsu.

Akutsu: At such a critical juncture for the Company, I am deeply honored to be appointed President and fully recognize the weight of my responsibilities.

As the person responsible for managing the Company, I believe my primary duty is to clearly communicate to all employees the direction we are heading and what kind of company we aim to become. Strengthening our organizational capabilities

Kenichi Furukawa

Chairman and
Representative Director

Yuji Akutsu

CEO, President and
Representative Director

is essential to realizing our current medium-term management plan. This means having the right people, the right placements, and the necessary infrastructure. Establishing such foundation will be our first priority.

Furukawa: That is right. With the political shift in the United States bringing major directional changes, the trend toward domestic manufacturing in that market presents an opportunity for the Company. Today, manufacturing is heavily concentrated in Asia, particularly China, while the share held by Europe, the United States, and Japan has become very small, so this shift in direction may provide a chance to achieve a rebalance.

Due partly to inflation, the European and the U.S. markets have a strong appreciation for added value. In those markets, therefore, we aim to strengthen our approach to target customers in such sectors as aerospace, medical, and semiconductors. Our EDMs

are already contributing to advance the most fuel-efficient aircraft engines. In addition to the United States, our high-precision products should fit well for future manufacturing in Canada and Mexico. With strategic plans in place to expand into Europe and India as well, this marks the true beginning of our global shift.

Akutsu: Until now, our business has largely been centered on Japan and Greater China. Moving forward, however, the global market will become our primary stage. To succeed, therefore, we must move from a highly uniform organization to one that embraces diversity. As a company, shifting away from a mindset centered on the domestic market in Japan and Japanese values will require the greatest change from our employees working in Japan. Going forward, I will personally work to share information and communicate in ways that help our employees better understand global standards and perspectives.

From an EDM pioneer to a global manufacturing company

Furukawa: Over my past 30 years of observation, I note that the business model of machine tool manufacturers has changed significantly. Founded nearly 50 years ago, Sodick has contributed to global manufacturing as a pioneer in EDMs. During that time, China has emerged as the “factory of the world,” and our business has grown primarily by focusing on Greater China as our core market. However, the global manufacturing market and economic structures are undergoing major changes, so it will be difficult to survive with the same single-

point, single-focused business model that we have used in the past. Not only Sodick, but also the entire Japanese manufacturing industry, must embrace the challenges of the global marketplace—or there will be no future growth.

I envision Sodick becoming a truly global brand—to the extent that people might one day say, “Sodick? I heard they originally made EDMs.”

Akutsu: I envision the same future and am fully committed to making our transformation a success.

Message from the President

We will unlock Sodick's full potential and grow into a company that provides manufacturing applications to various industries around the world.

Yuji Akutsu

CEO, President and Representative Director



Looking back on FY2024

Since 2023, the Sodick Group has been engaged in structural reforms aimed at transforming itself into a company capable of generating stable earnings under any circumstance. These reforms are guided by four key policies: reducing the market dependence on China, selection and concentration, restructuring of our global production and sales systems, and balance sheet improvement. With respect to the market conditions, in FY2024, we enjoyed a rebound in demand, particularly for machine tools, in Greater China, resulting in significant year-on-year increases in both unit sales and net sales. In Japan, market conditions remained sluggish, while our performance in North and South America as well as Asia was solid. As a result, we recorded net sales of 73,668 million yen (up 9.7% year on year) and operating profit of 2,231 million yen, marking a return to profitability from an operating loss in the previous fiscal year. All business segments posted both sales and profit growth.

In the automotive industry, the anticipated recovery of investments was delayed by prolonged production adjustments and investment plan reviews for electric vehicles and overall production in Japan, the United States, and Europe. On the other hand, demand in such sectors as electronic parts, smartphones, aircraft parts, semiconductors, and medical devices remained solid, supported in part by the large-scale orders. In particular, the advancement of generative AI has fueled increased capital investment in data centers, driving demand for optical communication devices and ultra-precision optical connectors, such as MT ferrules. Sodick's machine tools and industrial machinery excel in the machining of precision molds and components for these ultra-precision optical connectors. Accordingly, we are working in each region to steadily capture demand.

The food machinery segment, centered on noodle-making machines and cooked rice production systems, is primarily active in Japan, Greater China, and other parts of Asia. In Japan, demand for equipment upgrades and facility expansions among food manufacturers remains steady, while new demand continues to grow in Greater China and across Asia.

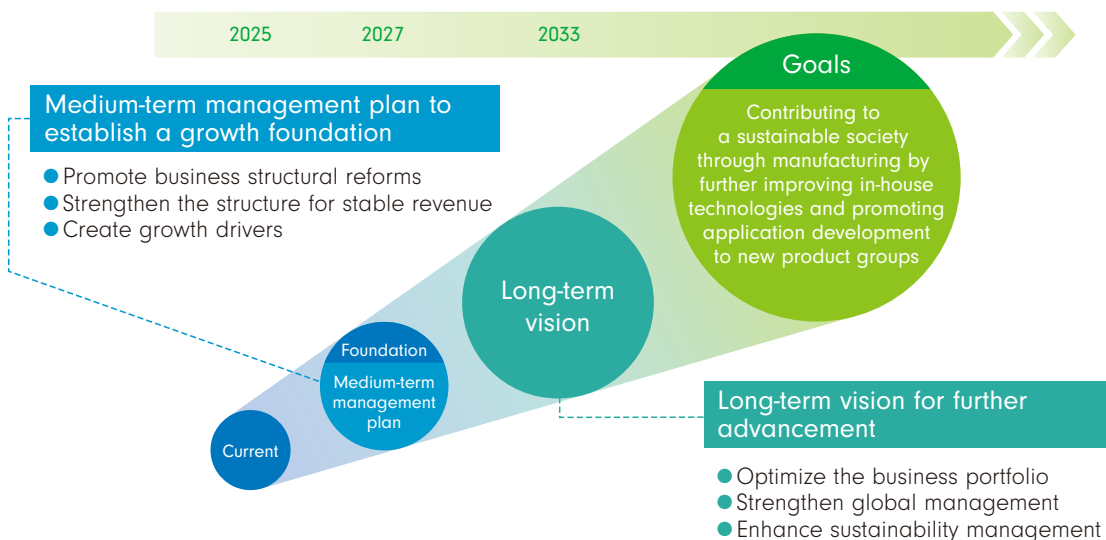
Sodick's growth story following structural reforms

Amid ongoing uncertainty among global markets and economies, we expect the future market conditions to be affected by a slowdown in the decarbonization trend, due in part to policy changes

resulting from the change of administration in the United States. Nevertheless, we anticipate that capital investments in automation, renewable energy, and labor productivity improvement to solve social issues will expand over the medium to long term. In the automotive industry, we expect the global shift toward electric vehicles to keep expanding in the medium to long run. We also anticipate growth in demand for automobiles being light-weighted and more electric-driven in response to the rise of CASE (Connected, Autonomous, Shared/Service, Electric) and MaaS (Mobility as a Service) technologies. We are also expecting to see the continuing capital investments in high-precision equipment driven by advances in AI and IoT.

In addition to implementing structural reforms, therefore, we will pursue the urgent priorities of creating growth drivers—through the development of high-added-value products for markets earmarked for growth—and strengthening our earnings base.

Long-term vision and goals



I was appointed as CEO, President and Representative Director by the resolution of the Ordinary General Meeting of Shareholders held on March 28, 2025, and the subsequent meeting of the Board of Directors. My foremost responsibility is to swiftly complete the aforementioned structural reforms and bring their outcomes into the next chapter of Sodick's growth story. With a long-term perspective, I aim to transform Sodick into a truly global company by optimizing our business portfolio and establishing a robust global management foundation. In other words, I aim to elevate Sodick into an indispensable presence in the global manufacturing industry—one that contributes meaningfully to creating a sustainable society.

We have launched our new medium-term management plan in FY2025, and achieving the targets of the plan—net sales of 88.5 billion yen and operating profit of 7.0 billion yen by FY2027 (the plan's final year)—represents a critical first step in our growth story. Looking beyond that initial step, our next milestone is achieving 100 billion yen in net sales. To reach this ambitious target, my first task is to drive fundamental organizational reform—specifically by strengthening our human resources and organizational structure. Sodick possesses all the essential functions of a manufacturing enterprise, including R&D, product design, production engineering, manufacturing, quality assurance, sales, and after-sales service. To further invigorate these functions, we will reform our organization and foster horizontal connections and thus empower all employees to approach their work with a broader perspective.

While EDMs remain our core business, relying on them alone will not enable us to realize the growth story we envision. Eventually, we must make products that surpass our EDMs in terms of strength. Going forward, we will reinforce and expand our lineup of machining centers, metal 3D printers, and laser processing machines. By also broadening the range of solutions we offer, we

aim to meet a wider array of customer needs and expand our market share. As we bring various products to market, our greatest priority is to enhance our in-house processing capabilities. At Sodick, we have dedicated processing technology teams for each product line. Using our products, these teams produce prototypes, which are then evaluated by customers to help secure orders. As a machinery manufacturer, securing and developing highly specialized human resources is of utmost importance. Because we have such skilled individuals, we are able to create the next generation of machines that the world demands.

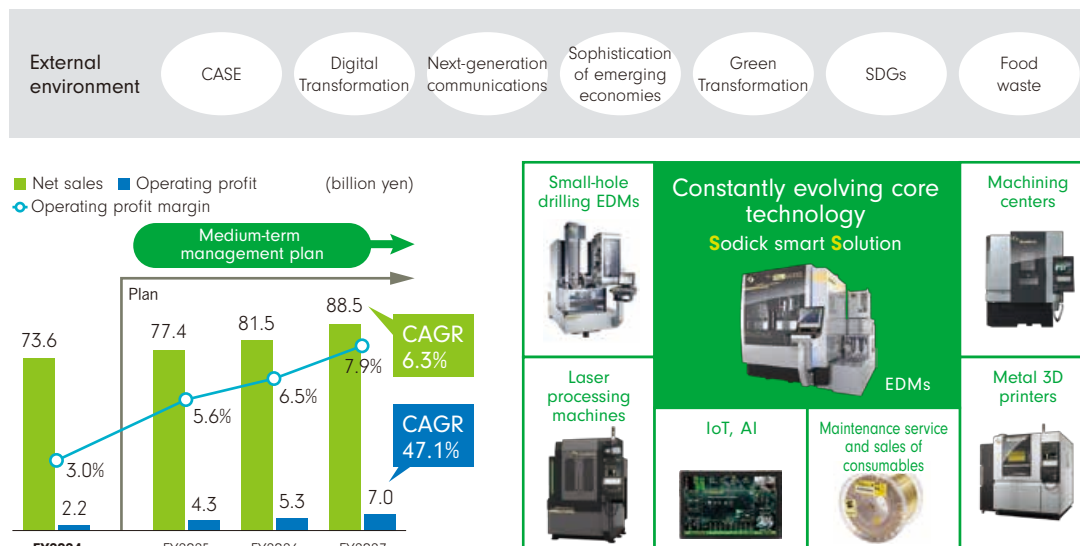
Similarly, in injection molding machines, we are working to expand our lineup to better meet market needs. In line with this policy, in January 2025, we renamed the business unit from the Injection Molding Machinery Division to the Industrial Machinery Division. Under the new organization name, we will advance our business and improve our ability to make customer proposals by repositioning injection molding machines within the broader industrial machinery market.

In the food machinery segment as well, we are expanding into areas, such as confectionery and precooked side dishes, to establish a third business pillar alongside noodle-making machines and cooked rice production systems. At the same time, we are entering new overseas markets, including India, Vietnam, and the United States, with the aim of becoming a comprehensive, global manufacturer of food machinery.

In my daily interactions with customers, I keenly sense how rapidly manufacturing is evolving around the world. Even when producing the same products as a decade ago, the processes involved have advanced significantly.

Looking ahead, I believe that the global manufacturing landscape will undergo major changes affected by various global situations. No matter where the center of manufacturing shifts, we will remain a company that delivers the highest level of manufacturing excellence that our customers seek.

External environment and medium-term management plan



Become a truly global company

Until now, Sodick has operated with the Head Office in Japan at its core, managing production and sales around the world. Moving forward, however, we intend to localize our operations more aggressively. Looking around the world, the ways our products are used in manufacturing vary

greatly depending on the country, region, and even industry. In Japan and elsewhere in Asia, our products are predominantly used to make electronic parts, precision semiconductor-related products, and smartphones. In Europe and the United States, by contrast, they are primarily used for aircraft and rocket parts. Economic conditions also vary by country and region. In the United States, where inflation is rising, there are many large-scale projects that require comprehensive solutions, so the scale of business negotiations differs from those in other countries. For this reason, it is essential that engineers in each country and region address the needs of customers in a deep and comprehensive manner to deliver the solutions they require. From a human resource development perspective, as well, localizing management is important.



I also believe that fostering a shift in mindset among our management and executive teams is essential to successfully control our business operations in various countries worldwide. Sodick has the potential to reliably deliver manufacturing applications to a wide range of industries around the world. We will move quickly to drive a shift in mindset, so that all members of our management, executive, and supervisory teams in Japan can take pride in their work.

We will also work to establish an optimal structure to support our customers. Our domestic facilities have already been rebranded as “technical centers.” The name change reflects a shift in focus—from sales offices and branches serving employees to showrooms that showcase our products, solutions, and processing technologies to customers. We welcome customers who are interested in Sodick to visit our technical centers, where they can learn about our manufacturing applications and also receive training from our engineers.

For our employees, meanwhile, we are shifting away from the traditional mindset of commuting to work. Rather, we would like to build a system allowing employees to work more efficiently, and to use the time created by such efficiency to provide more extensive support to our customers than ever before. Specifically, for service engineers and other personnel who work mostly in the field at customer sites, we are moving away from the practice of traveling long distances from offices to such sites. Instead, we will establish a framework allowing them to operate from their homes as a base. This will help them provide more localized, customer-focused support while also improving overall operational efficiency.

We will also actively promote mid-career recruitment. For individuals with outstanding skills in specialized fields, we will actively embrace diversity by hiring externally—regardless of gender, age, or nationality—and work to build a foundation that fosters innovation.

Advancing globally in partnership with our stakeholders

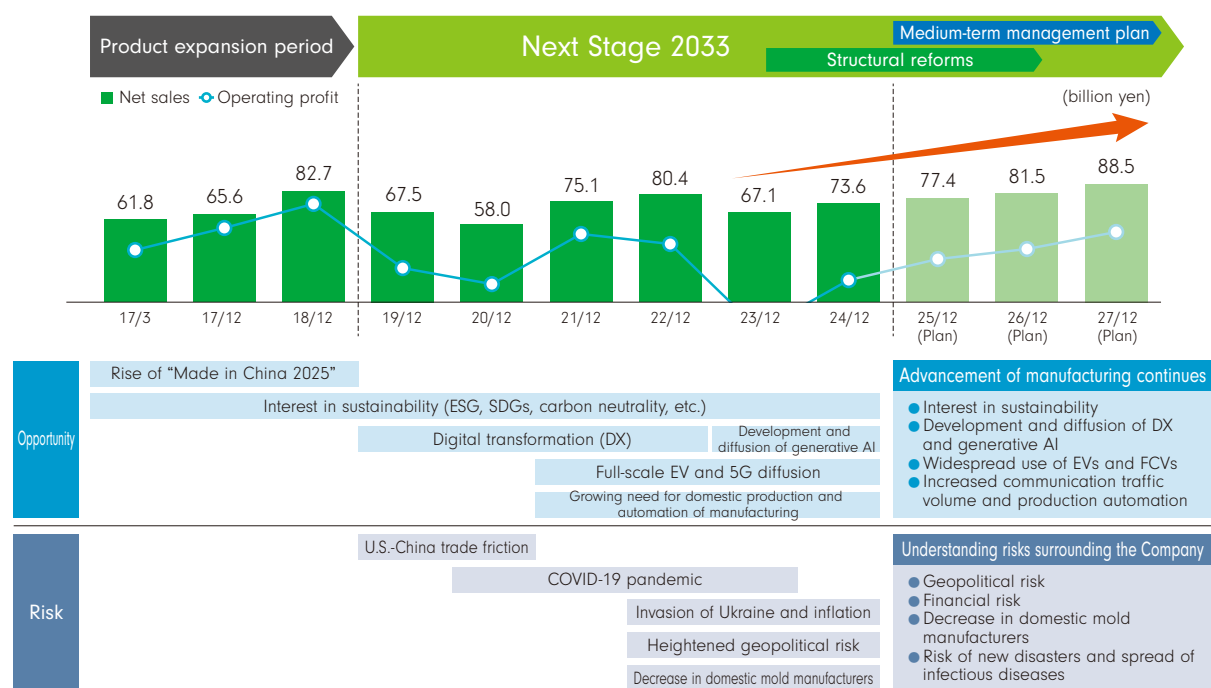
In February 2025, we announced a policy aimed at implementing management that is conscious of cost of capital and stock price. Since then, we have begun actively exploring strategic M&As and other opportunities to enhance the Group’s growth potential. For companies where we identify possible synergies, we will approach their management in a way that is sure to lead to enhanced profitability, rather than simply integrating our businesses.

My mission is to move beyond the Japan-centric mindset of the past and shift toward a management approach grounded in a global perspective. I sincerely ask for your continued support as we continue pursuing and embracing new challenges in global markets.

Progress of the Medium-Term Management Plan

In response to rapid changing market conditions since 2022, we determined that improving profitability would be difficult under our current business model and management infrastructure, and therefore initiated Group-wide structural reforms. These are designed to adapt the Sodick Group—which had built its competitive advantage through overseas production under a strong yen environment—to the realities of a weaker yen. Our goal is to strengthen profitability and reinforce our corporate structure, paving the way for a return to a growth-oriented phase.

Starting in FY2025, we will focus on executing our medium-term management plan with the aim of achieving record-high net sales in FY2027, the year following our 50th anniversary in 2026.



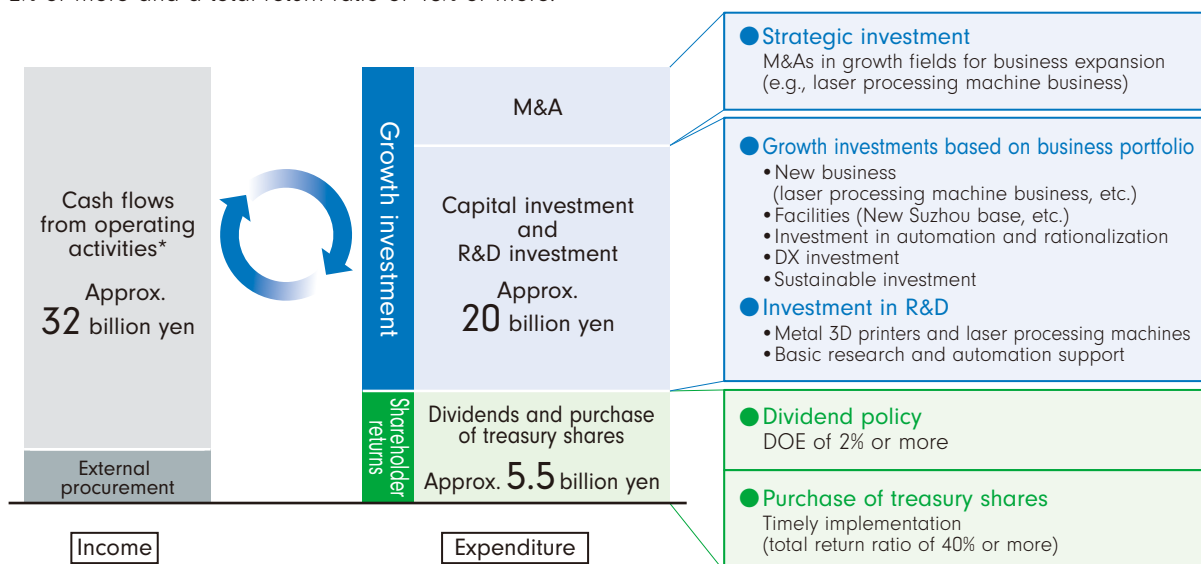
Basic Policy and Progress of Structural Reforms

We are working to achieve the management infrastructure reform, earnings structure reform, and the establishment of a competitive advantage to restructure the overall existing businesses, which have experienced declines in profitability. The first basic policy is to reduce our dependence on China in terms of both manufacturing and sales; the second is selection and concentration in businesses and products based on market trends and the competitive environment; the third is to restructure our production and sales systems in response to depreciation of the yen and changes in demand; and the fourth is to improve the balance sheet by reducing inventories and non-current assets. In FY2024, we have made progress in consolidating production and improving factory operating rates, and have changed our corporate structure to one that can steadily generate profits even in the current environment.

Basic policy		Progress status
1	Reducing dependence on China	- Consolidated production at the Suzhou Factory to the Amoy Factory in China, increased production ratio and expanded the range of products manufactured at domestic factories - Challenges remain in expanding market share outside of China
2	Selection and concentration	Shifted emphasis to selling higher-margin models, leading to improved profitability
3	Restructuring of production and sales systems	Made progress in restructuring our production and sales systems, enhancing our agility to address the yen's depreciation and changing demand
4	Balance sheet improvement	Cut costs by 260 million yen/year through asset reduction and other measures

Cash Allocation for the Medium-Term Management Plan (2025–2027)

Over the three-year period of the plan, we aim to generate approximately 32 billion yen in operating cash flow. Along with funds obtained through some external procurement, we will actively allocate capital to growth investments while ensuring stable shareholder returns. In addition to our ongoing capital investments and R&D investments, we will pursue strategic investments in growth areas, including through M&As. With respect to shareholder returns, we aim to maintain a stable dividend policy, targeting a dividend on equity (DOE) ratio of 2% or more and a total return ratio of 40% or more.



* Before deduction of R&D expenses

Sustainability Initiatives

Based on discussions within the Sustainability Committee, we identified four materiality issues (important issues) in 2021. As a company that supports our customers' manufacturing operations, we are contributing to evolving manufacturing. We have also set and are pursuing KPIs in the areas of the environment, human resources, and governance.

In FY2024, we focused on resetting our CO₂ reduction targets and increasing the percentage of women in management positions. In FY2025, we will work on further strengthening greenhouse gas (GHG) emission reduction efforts, including Scope 3 emissions, and enhancing employee engagement.

Field	Activities in FY2024	Key themes for FY2025
 E (Environment)	- Resetting CO₂ reduction targets - Expansion of solar power generation facilities - Development of environmentally friendly products - Review of TCFD significance assessment - Maintenance and improvement of CDP score (B-)	- Expand environmentally friendly products - Promote efforts to reduce GHG emissions, including Scope 3
 S (Society)	- Increasing percentage of women in management positions - Promoting male employees taking parental leave - Strengthening the recruitment of non-Japanese employees - Extending the eligibility period for reduced working hours after women returning from parental leave	- Improve employee engagement - Revitalize internal communication - Expand support system for balancing parental/nursing care and working - Contribute to the local community
 G (Governance)	- Discussion of the succession plan - Strengthening information security - Thorough compliance - Thorough export control	- Develop next-generation leaders - Transition to a company with an Audit & Supervisory Committee - Review management meetings, etc.

Message from the Director in Charge of Corporate Division



Masato Takagi

Director and Managing Executive Officer
General Manager of Corporate Division

We are advancing reforms through the perspectives of finance, governance, and human resource management to complete our structural transformation and return to a growth trajectory.

Review of FY2024 performance

In FY2024, we focused on optimizing production capacity to match demand as a key pillar of our structural reforms while working to reduce fixed costs and improve productivity. On the sales front, we achieved improved profitability due to our aggressive development of high-value-added products, while factory operating rates improved due to the increased demand. As a result, we posted operating profit of 2.2 billion yen, far exceeding our initial forecast of 1.1 billion yen.

We have decided to downsize and relocate our Suzhou Factory in China and will establish a new Suzhou base at a more accessible location, featuring a customer service and technical center. The new base is scheduled for completion in the autumn of 2025 and will serve as a hub to strengthen service and sales support for our customers in eastern China. We also sold off company housing and other non-current assets that had not been fully utilized. In addition, we took steps to optimize and reduce inventories, which

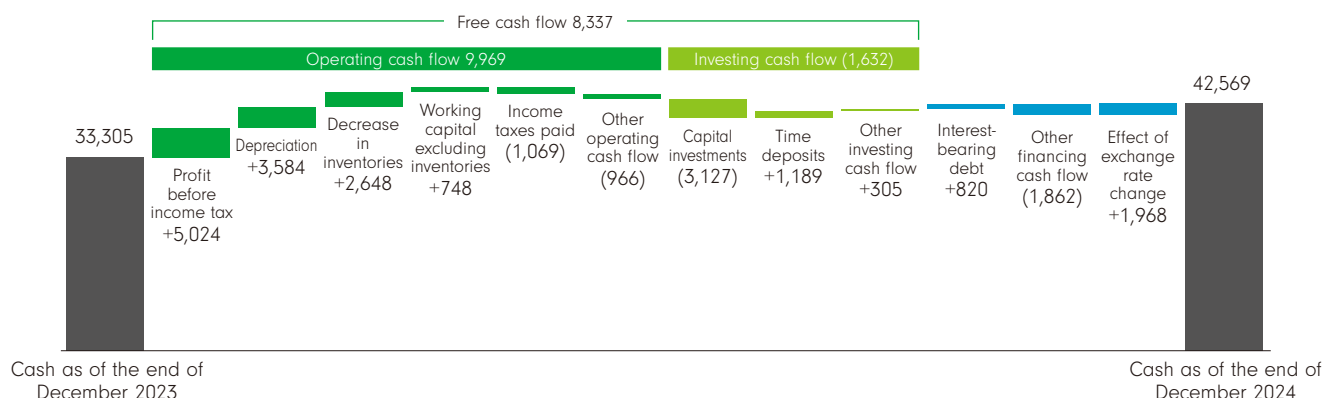
had increased due to the intentional buildup of parts in response to supply shortages during the COVID-19 pandemic. Meanwhile, our efforts to reduce inventories and curb capital investments proved to be effective, resulting in positive free cash flow of 8.3 billion yen at the end of the year. The generated cash will be used for new business initiatives, DX (Digital Transformation) investments aimed at automation and streamlining, R&D activities, and M&As in growth areas.

Our structural reforms have progressed generally as planned, with notable success in enhancing profitability at production centers. However, challenges remain in improving our balance sheet, particularly the high level of interest-bearing debt and the lengthy inventory turnover period, making productivity enhancement essential. To this end, we are restructuring our production system and advancing automation of production equipment to prepare for future demand growth.

Cash flow

(million yen)

	2020	2021	2022	2023	2024
Cash flows from operating activities	5,270	7,642	3,543	(14)	9,969
Cash flows from investing activities	(1,410)	(2,203)	(10,957)	(2,492)	(1,632)
Cash flows from financing activities	1,665	(1,932)	(6,012)	1,421	(1,041)
Cash and cash equivalents at the end of period	38,255	44,229	33,158	33,305	42,569



Balance sheets (end of December 2020–end of December 2024)

(million yen)

	End of December 2020	End of December 2021	End of December 2022	End of December 2023	End of December 2024
Cash and deposits	116,117	134,866	138,433	134,066	144,993
Trade receivables	38,920	41,385	36,047	34,621	47,762
Inventories	15,418	20,468	18,491	16,005	19,189
Other current assets	21,320	27,631	34,315	32,396	31,623
Non-current assets	2,294	3,002	3,502	3,146	2,946
Interest-bearing debt	41,385	33,741	32,666	37,328	38,326
Trade payables	8,167	13,148	12,046	9,150	11,615
Other liabilities	8,587	13,538	12,726	10,457	10,624
Net assets	57,976	74,438	80,993	77,129	84,427
Of which, foreign currency translation adjustment	1,746	5,402	9,114	12,125	16,842
USD-JPY exchange rate at the end of period	103.50	115.02	132.70	141.83	158.18
Equity ratio	49.9%	55.2%	58.5%	57.5%	58.2%
D/E ratio (times)	0.74	0.49	0.46	0.59	0.58

Implementing management that is conscious of cost of capital and stock price

Our return on equity (ROE) in FY2024 was 5.1%, remaining below the cost of shareholders' equity. At fiscal year-end, our price book-value ratio (PBR) stood at 0.44 times, remaining below 1.0 times since 2018. Although we returned to profitability after a loss in FY2023, we have not yet reached our ROE target of 8%, so we will continue working hard to improve this figure.

To maintain high factory operating rates, we need to optimize production volumes at each factory and consistently make and sell higher-priced products. As a part of our basic policy of Group structural reforms, we aim to reduce our dependence on China. However, in the mold industry—which is a major market for EDMs—China remains the largest market, followed by the United States and Japan. While continuing our business operations in China, the world's largest market, we aim to reduce our dependence on that

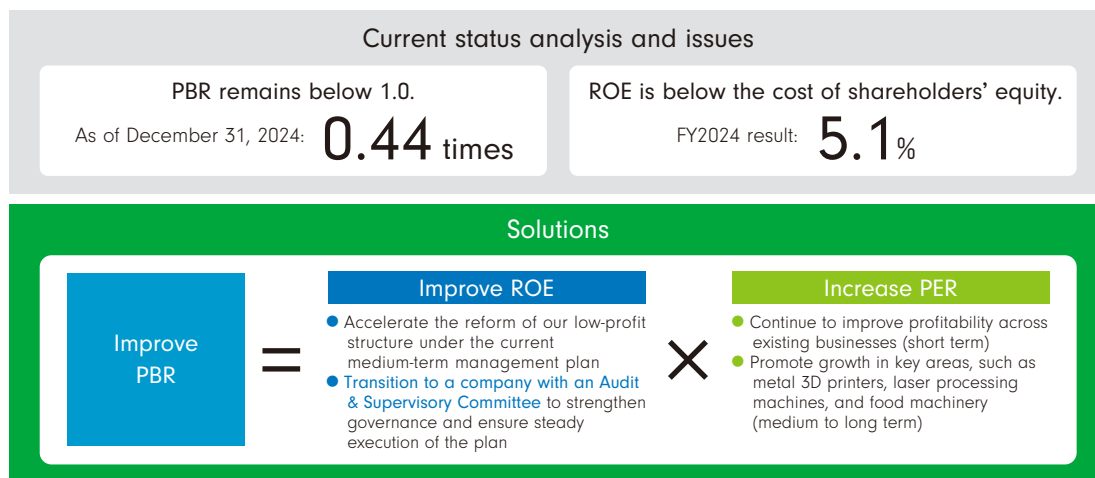
market by expanding our market share in Europe, the United States, and Japan, as well as by increasing sales of machine tools other than EDMs.

To expand into the European, the U.S., and Japanese markets, we entered into a capital and business alliance agreement in April 2024 with Prima Additive S.r.l., a metal 3D printer manufacturer headquartered in Turin, Italy, and in May 2025, we made the company as our subsidiary. With the inclusion of Prima Additive into the Sodick Group, we look forward to various synergies, such as expansion into new industrial sectors, strengthening of our sales network, and broadening of our sales regions. We also anticipate significant growth in the metal 3D printer industry, which is projected to have a high compound annual growth rate (CAGR) in the 20% range over the next 10 years.

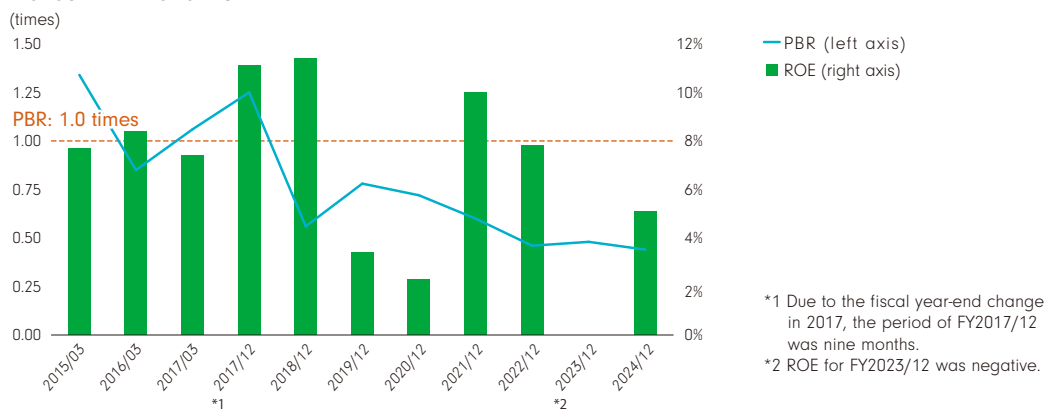
To enhance and stabilize our medium- to long-term earning power, we believe that optimizing cash allocation (capital allocation) is extremely important. We have long embraced a development philosophy of “We create it if it does not exist.” This has fostered a strong in-house development approach and resulted in a high level of in-house production. While we have not been particularly aggressive with M&As in the past, we have now shifted our policy to actively pursue capital alliances and M&As in cases

where market synergies and growth potential can be expected, such as with Prima Additive. To support this, we have established a strategic investment framework. At the same time, we also place great importance on shareholder returns. With a target of maintaining a dividend on equity (DOE) ratio of 2% or more and a total return ratio of 40% or more, we aim to enhance stock value through strengthened shareholder returns.

PBR and ROE: Current status and issues



Trends in PBR and ROE



Further deepen ESG management under the new management and execution structure

To reduce the cost of capital, it is important to consider not only financial indicators but also non-financial information, including sustainability. With this in mind, we will continue promoting ESG (Environment, Society, Governance) management. Specifically, we are working to strengthen management by pursuing governance reforms, advance carbon neutrality initiatives, and encourage the active participation of diverse human resources.

Pursuant to a resolution at the Ordinary General Meeting of Shareholders held on March 28, 2025, we transitioned from a company with an Audit &

Supervisory Board to a company with an Audit & Supervisory Committee, thereby renewing our management and business execution structure. We will continue to promote the separation of management and business execution, aiming to further strengthen and improve governance. Under the new structure, we will strive to achieve the goals of our current medium-term management plan while also formulating our next set of Group-wide objectives.

Amid growing concerns over the impact of greenhouse gas emissions on the global environment,



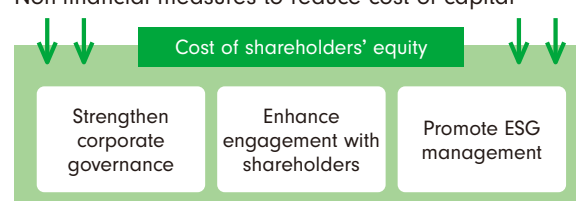
the Company, in December 2022, expressed its support for recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). As an indicator for assessing and managing climate-related risks and our own environmental initiatives, we have established greenhouse gas emissions (Scope 1 and 2) as a key metric, with a target of reducing such emissions by 46% by 2030 compared with the 2017 level. We are currently working to reduce total greenhouse gas emissions, including Scope 3, and aim to achieve carbon neutrality across the entire Group by 2050.

Developing and empowering the human resources who execute our business strategies on the front lines is one of our most critical priorities. Since 2022, we have conducted employee satisfaction (ES) surveys to visualize our engagement score, aiming to reach a standard deviation score of 55 or higher by FY2026. To this end, we have been working to enhance our corporate culture. Due in part to our declining business performance, however, our engagement score fell from 40 in FY2023 to 37 in

FY2024. Going forward, we believe it is essential to create a workplace environment where employees feel a strong sense of growth potential and are empowered to thrive. To increase opportunities for dialogue between the President and employees, we have been holding town hall meetings with front-line staff. Looking ahead, we plan to further strengthen communication by sharing the President's messages to employees through video.

In addition, we have launched new management training programs for executives and managers. Our aim is to create a workplace that fosters a sense of growth and excitement by resonating with employees' initiatives. The driving force behind this management reform is the significant shift in the business environment. In the past, a top-down management approach—where managers set the direction and send instructions to the front lines—was sufficient for the organization to function effectively. Recently, however, we have entered an era of increasing uncertainty, making it more difficult to identify clear solutions. In this environment, a one-sided, top-down approach may no longer be effective. Instead, “co-creative management”—where supervisors and team members work together to understand current challenges and determine direction through open dialogue—is better suited to today's needs. Alongside reforms at the management level, therefore, it is increasingly important to encourage employees to recognize how their work directly impacts our corporate performance. By setting their own goals and engaging in self-assessment and improvement, employees can drive their own growth through a proactive cycle. We believe these initiatives will help us improve Company-wide ESG score and, ultimately, enhance our corporate value.

Non-financial measures to reduce cost of capital



Closing words to shareholders and investors

The Group is committed to enhancing corporate value by promoting strategic growth investments while maintaining a sound financial foundation, with a view to achieving the goals of the medium-term management plan and ensuring sustainable growth thereafter. I am personally committed to re-evaluating the organizational operations and management style that the Group has built over the years and helping create an environment where our human resources can thrive. Through determined efforts toward transformation, I firmly believe we can shape a new

era for Sodick.

Although the Group's structural and organizational reforms are still a work in progress, we remain committed to prioritizing dialogue with our investors and providing highly transparent information. We will also actively incorporate your valuable feedback into our management strategies.

We will continue doing our utmost to meet your expectations and sincerely ask for your continued support and encouragement.

Strategy of Each Segment

Machine Tool Segment

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

Review of results and recognized issues of FY2024

Sales and profit growth supported by recovery in demand across key global regions, particularly Greater China

We posted year-on-year increases in unit sales and net sales, driven by recovery in demand in Greater China. In that region, we enjoyed strong demand in such industries as NEVs*, ultra-precision optical connectors for data centers, semiconductors, and electronic parts. In Japan, demand remained solid for optical connectors for data centers, electronic parts, aircraft parts, and medical applications. In North America, we posted a significant increase in sales on the back of recovery in demand for aircraft parts machining, energy industries, electronic parts, and medical devices. In Europe, we reported a decline in sales due to continued sluggishness in the automotive-related sector, although demand in certain sectors, such as aircraft parts, remained solid.

In addition to selling products, we have been strengthening our maintenance services and consumables businesses, with expansion primarily in Japan and North America. Our aim is to stabilize revenue through ongoing enhancement of our value-added after-sales offerings, which include regular maintenance services, remote service support, and recycled consumables.

The ongoing structural reforms at our production centers and an increase in unit sales contributed to a significant recovery in segment profit.

* NEVs: A collective term used in China for plug-in hybrid vehicles (PHVs), electric vehicles (EVs), and fuel cell vehicles (FCVs)

Exhibited a wide range of products at major international machine tool trade shows, including JIMTOF and IMTS

At the 32nd Japan International Machine Tool Fair (JIMTOF), held in November 2024, we showcased our LSP4040 linear motor-driven femtosecond laser processing machine. Developed through over a decade of basic research, this precision micromachining system for difficult-to-process materials attracted significant attention from visitors. At the International Manufacturing Technology Show (IMTS), held in the United States in September 2024, our small-hole drilling EDMs were especially well received. Sodick's small-hole drilling EDMs are equipped with an automatic electrode feeder, enabling continuous machining of thousands of holes, as well as machining of holes with different diameters. As manufacturing continues to advance across various industries, we anticipate increasing demand for specialized machines, including small-hole drilling EDMs.



K4HL linear motor drive ultra-high-speed small-hole drilling EDM

Hideki Tsukamoto
Director and Senior Managing Executive Officer

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

Opportunities

- Innovation in the automotive industry (NEV, synthetic fuels, CASE, MaaS)
- Recovery of the aviation industry
- Growth in demand for high-precision processing equipment as manufacturing becomes more sophisticated
- Increased needs for labor savings and automation
- Increased interest in energy savings

Risks

- Monetary tightening policies and rising global inflation
- Drastic foreign exchange rate fluctuations, fears of a recession or economic slowdown
- Global turmoil at financial institutions
- Heightened geopolitical risk
- Price hike of raw materials and parts supply shortages, supply chain disruptions
- Price hike of natural resources and energy, and electricity

Composition ratio of net sales:

70%

Growth strategies**Accelerating structural reforms and growth strategies while implementing purpose-driven site allocation for growth markets**

Our structural reforms are progressing smoothly. In China, we consolidated operations at our two factories to optimize our production scale. At the same time, we have begun strengthening domestic production while establishing a global three-region production structure (Kaga, Thailand, and China) that is resilient to foreign exchange fluctuations. To achieve this, we are engaging in personnel transfers between domestic and overseas locations, technology transfer of production know-how, and other related initiatives. In anticipation of potential changes in mutual tariffs, we will mitigate the impact on pricing by taking the country of origin of our products into account. At each production center, we aim to enhance profitability by improving productivity through the introduction of automated equipment and other measures.



Assembly and adjustment facility at the Amoy Factory

Regarding our sales structure, we are establishing a new customer service center and technical center at the relocated and downsized Suzhou Factory, which will serve as our new base. Scheduled for completion in September 2025, this facility will cater to the advanced technology needs of customers in China and provide maintenance services.

In India, in addition to the automotive industry, the markets for electronic equipment and the mold industry are expanding. Going forward, we expect these markets to continue growing on the back of increasing demand for more advanced technologies. To date, we have provided meticulous customer support by developing and securing highly skilled and technically proficient human resources, including locally hired application engineers and service engineers. As part of our business expansion strategy in growing markets, we are preparing to establish a technical center in Pune, Maharashtra, in western India. This will help us further expand and strengthen our support system, enabling us to provide rapid and advanced technical proposals.

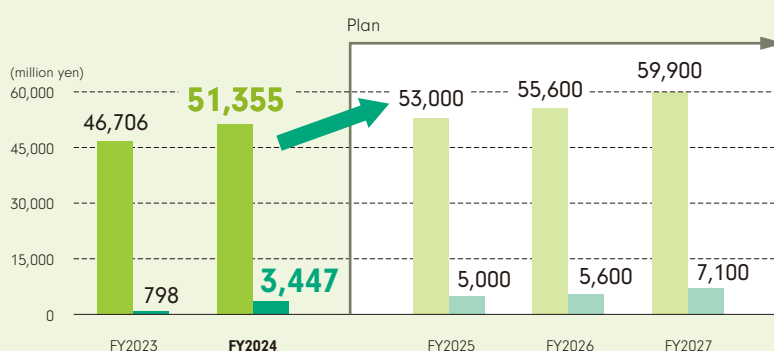
Acquisition of metal 3D printer manufacturer to expand our product lineup and strengthen cross-selling

To expand beyond the mold industry, we are working to broaden our product lineup. As part of this effort, in April 2024, Sodick entered into a capital and business alliance agreement with Prima Additive S.r.l., an Italian manufacturer of metal 3D printers, and made it a subsidiary in May 2025. This will enable the two companies to strengthen their competitiveness in metal 3D printers, where significant future growth is expected, by expanding their product lineups and selling each other's products, mainly in Japan, Europe, and North America, while developing new fields and applications and expanding their sales networks.

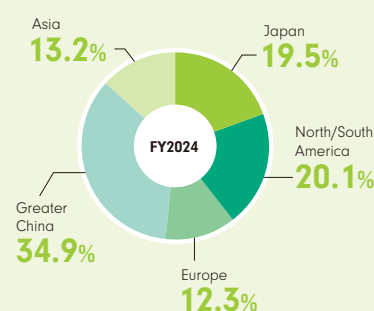


OPM250L+ linear motor drive precision metal 3D printer

■ Net sales ■ Segment profit and medium-term management plan targets



Composition ratio of net sales by region



Industrial Machinery Segment



Kazuyoshi Taniguchi
General Manager
Industrial Machinery Division

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 manufactured by our injection molding machines are used in many general consumer goods due to their light weight and multi-functionality, including home appliances, electrical and electronic parts, automobiles, and medical devices.

Review of results and recognized issues of FY2024

Returned to profitability through structural reforms despite sluggish market conditions worldwide

While automobile production remained firm in some regions, overall global demand was weak, and investment restraint continued. On the other hand, demand for optical communication and connector components was strong, driven by the expansion and establishment of AI data centers. In addition, demand for medical- and IT-related devices is increasing. In China, internal demand remained sluggish, but demand was solid for data centers, optical systems, and electronic parts used in Chinese-brand smartphones. In North America, capital investment, particularly in the medical sector, is showing signs of recovery in response to policies aimed at bringing back production to the United States. Meanwhile, demand for data center-related components and battery electric vehicle (BEV)-related products remained strong. In Southeast Asia, we anticipate future growth as companies gradually shift production away from China.

In this environment, we swiftly implemented structural reforms that included withdrawing molding machine production from the Amoy Factory, consolidating production to the Kaga Factory and Thailand Factory, and reducing the number of models to comply with changes in ISO standards. We also launched the GL_G2 series of injection molding machines and stepped up sales of automation systems through collaboration with Sodick F.T. As a result, we posted double-digit growth in segment sales, exceeding our initial forecasts, and segment profit also increased and returned to profitability.

Established a base in the Tokai region to enhance our ability to provide technical services to customers

In November 2024, at the Nagoya Plastic Industrial Fair 2024, held at Port Messe Nagoya, we exhibited our GL30G2-LP state-of-the-art horizontal injection molding machine and unveiled for the first time our VR200G vertical rotary-type injection molding machine under the theme “Evolution of the V-LINE.” Meanwhile, our Nagoya IMM Center, established in 2023, serves as a hub to integrate our sales, service, and technical functions for the Tokai region, home to multiple major industries, including automobiles. Through this center, we are working to strengthen our technical service capabilities for customers.



GL30G2 V-LINE injection molding machine for high-value-added products

Main applications	Manufacturing of plastic components and other difficult-to-process materials, special materials, light metal components, etc.
Main customers	Automobiles, IT, smartphones, electrical and electronic parts, medical devices, etc.
Core products	Horizontal injection molding machines, Vertical injection molding machines, Light metal alloy injection molding machines, Automatic injection molding production systems, Quality and production management software

Opportunities

- Innovation in the automotive and aerospace industries (automated driving, EV, electrification, lighter-weight components, adoption of new materials, etc.)
- Expansion of communications network (5G, AI data centers, highly functional terminals, etc.)
- Growth in demand for high-precision processing equipment along with advancement of manufacturing
- Increased needs for labor savings, automation, and environmental considerations
- Growing demand for highly functional plastics and bioplastics

Risks

- Economic stagnation of the world by conflicts and export prohibition measures
- Intensified price competition in injection molding machine market
- Demand change along with economic fluctuations
- Large fluctuations in foreign exchange markets
- Price hike of raw materials and parts supply shortages

Composition ratio of net sales:

13%**Growth strategies****Launch of Innovation & Growth Strategy project targeting our next stage of growth**

We will transform our portfolio from a focus on injection molding machines to a broad range of industrial machinery businesses, starting with system sales and recurring business as the first steps. We aim to develop products and businesses that will become a new pillar of our operations based on our policy of “responding to change.” To this end, we launched our Innovation & Growth Strategy project, spearheaded by four promotion teams.

The new business development team will work to define new business domains and directions by the end of 2025 through various activities, such as attending trade shows, gathering information from customers and related businesses, and exploring collaboration and M&A opportunities. The system/turnkey promotion team will strengthen sales and build distinctive systems through collaboration with Sodick F.T. The recurring business promotion team will explore fixed-fee service contracts to provide comprehensive support for its maintenance and molding assistance services. It will also develop recurring business options, such as remote periodic inspections, molding assistance, and various training programs. The Mg-Li development promotion team will target Mg-Li materials, for which we expect demand to grow. It will also simultaneously promote both market approaches and new model development. Targeting China, our main market, we will collaborate with Mg-Li material producers to propose solutions to manufacturers and die-casters.

The Innovation & Growth Strategy project, spearheaded by these four promotion teams, will accelerate our forward-looking growth strategy.



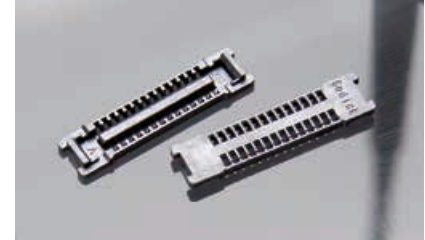
LMI450M V-LINE direct-casting injection molding machine for light metal alloys

Leveraging our proprietary V-LINE technology to develop “circular economy” molding technologies

Under our policy of “contributing to environmental sustainability through molding technologies,” we have leveraged our proprietary V-LINE technology to develop such offerings as the AI-VENT machine and INFILT-V injection molding system. To further promote the theme of “waste reduction and efficient resource use” in plastic molding, we are advocating the concept of “direct horizontal recycling.” This is a method of recycling in which molded sprues and runners are crushed and reused as molding materials.

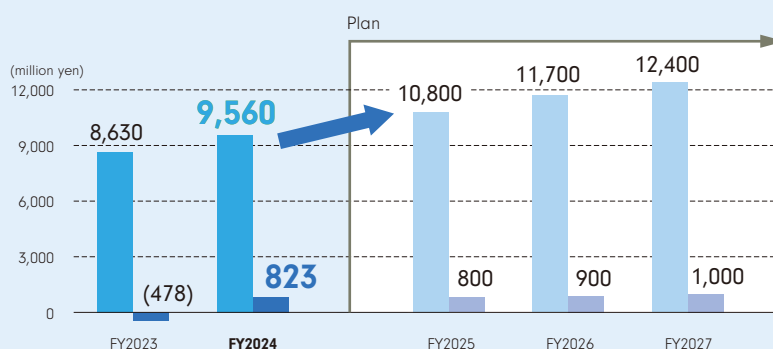
The V-LINE system, with its separate plasticizing and injection mechanisms, enables stable molding even when using 100% crushed materials.

We will continue leveraging our accumulated technological capabilities to help realize a recycling-based society.

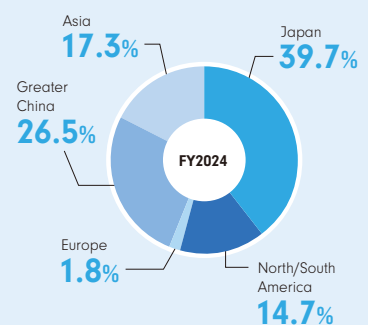


Precision-molded B-to-B connectors produced through direct horizontal recycling using crushed LCP

■ Net sales ■ Segment profit and medium-term management plan targets



Composition ratio of net sales by region



Food Machinery Segment

The food machinery segment supplies customers with optimal food processing equipment from our lineup, including noodle-making machines, noodle boiling systems, and aseptically-packed cooked rice production systems, to make noodles, packaged cooked rice, and precooked side dishes sold at convenience stores and supermarkets. We also contribute to creating a food culture that is safe and secure, healthy and delicious.

Review of results and recognized issues of FY2024

Refining our proprietary technologies and strengthening proposals to major manufacturers in Japan and overseas

In Japan, rice prices have continued to surge since 2024, leading to a series of price increases for rice-based products. Meanwhile, major cooked rice product manufacturers are planning to replace aging equipment and invest in new systems, sustaining strong demand for our products. In addition, major noodle manufacturers and restaurant chains have made steady investments in new factory construction and equipment. In overseas markets, we have steadily produced successful results in proposing turnkey solutions for large-scale equipment used in frozen noodle and aseptically-packed cooked rice production. We posted higher net sales and profit in FY2024 thanks to increased sales and our effective control of selling, general and administrative expenses.

In this segment, we actively made proposals to major food processing companies both in Japan and overseas. As a result, we began doing business with a major domestic manufacturer of cooked rice products and decided to install equipment in that company's new factory. For the overseas market, we developed aseptically-packed cooked rice production systems capable of producing not only white rice but also other varieties, aiming to differentiate ourselves from competitors, and we delivered the systems to a major South Korean food manufacturer. We also began developing large machines for major food manufacturers in India and China seeking to install vacuum extruders in their large instant noodle production lines because their existing equipment cannot keep pace with their production volumes.

Accelerating development of new products to establish a third business pillar alongside noodle-making machines and cooked rice production systems

In this segment, we are developing new products aimed at establishing a third business pillar alongside noodle-making machines and cooked rice production systems. One initiative is the continuous vacuum cooling equipment that suppresses spoilage of chilled foods and enables extended shelf life, and will help address the social issue of food waste. We will continue developing products in 2025 with the goal of bringing the products to market.



Continuous vacuum cooling equipment that alternately vacuum-cools two parallel cooling chambers. By cooling food in a short time, it suppresses bacterial growth and deterioration of taste.

Takahiro Nakamura
General Manager
Food Machinery Division

Main applications	Chilled noodles (udon, soba, Chinese noodles, etc.), frozen noodles, long shelf-life noodles, aseptically-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 machines, Noodle steaming machines, Sterilizing machines, Aseptically-packed cooked rice production systems

Opportunities

- Rising standards of living and expanding distribution network including chilled logistics infrastructure, supermarkets, and convenience stores in Greater China and the rest of Asia
- Global market growth for aseptically-packed cooked rice (growth in new countries and markets)
- Increased needs for labor savings and automation at manufacturing sites from labor shortages
- Even higher levels of food hygiene management and safety including stronger measures to prevent food contamination
- Increased need to extend shelf lives for high-quality cooked noodles and precooked side dishes

Risks

- Business weighted toward domestic food market, noodle market, and cooked rice market
- Significant increases in prices of parts and materials due to inflation

Composition ratio of net sales:

10%**Growth strategies****Expansion in Asia and entry into Europe and the United States—Growth strategies tailored to each region**

Throughout Asia, more and more food machines are being manufactured by Chinese and South Korean companies, leading to intensified market competition. To achieve future growth, we need to not only focus on the Asian market but also strengthen sales in the European and U.S. markets, where quality and technology are more highly valued.

With this in mind, we are formulating growth strategies tailored to the market characteristics of each region worldwide. In Asia, we will strengthen our sales capabilities by collaborating with sales companies and trading firms in China. As for production, we will improve the production structure at our Amoy Factory in China and expand our lineup of low-priced products. In Europe and the United States, we will strengthen our sales divisions and collaborate with trading companies to promote and propose products, focusing on high-value-added offerings.

**Three-roll sheeter:**

A machine that forms elastic and viscous doughs (such as high-hydration noodle dough or pastry dough) into sheets by gently pressing them through three rollers

Leveraging M&As to promote technological innovation and market expansion and strengthen our competitiveness

We will leverage our strengths in vacuum- and pressure-related technologies to develop products for new fields and markets, thereby expanding our business domain. For existing products, we will enhance our competitiveness by making continuous improvements in terms of cost, energy efficiency, and productivity.

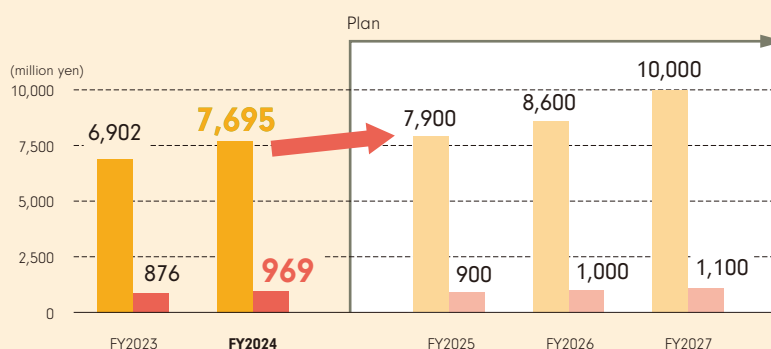
As a key development theme moving forward, we will rapidly advance the development of automation technologies using image recognition and AI. Labor shortages in the food manufacturing industry are becoming increasingly serious, and we aim to help solve these challenges by automating tasks that are currently performed manually.

To accelerate these technological innovations and drive market expansion, we are also considering M&As, with the aim of enhancing our competitiveness in the global market.

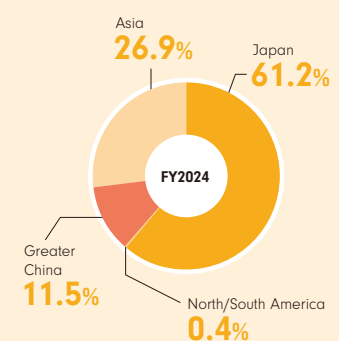
**Upward-facing tray de-breading machine:**

A machine that removes frozen foods, including toppings, from their freezing containers. Removing the product face-up eliminates topping loss, reduces labor requirements, and mitigates the risk of foreign matter contamination.

■ Net sales ■ Segment profit and medium-term management plan targets



Composition ratio of net sales by region





Yuichi Takahashi
President and Representative Director
Sodick F.T. Co., Ltd.

In other segments, Sodick engages in precision dies and mold operations, which produce precision connectors and other built-to-order components for automobiles, 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, and LED lighting.

Composition ratio of net sales:

7%

Review of results and recognized issues of FY2024

Accelerating new market development and structural reforms with a focus on reducing segment losses

In our precision dies and mold operations, we leveraged our mold and automation technologies in collaboration with the industrial machinery segment to focus on solution-based sales. This was despite a delay in the recovery of demand in the automotive-related sector. Utilizing CIM^{*1} and LIM^{*2} technologies, we also worked to develop new businesses outside the automotive-related sector. With respect to ceramic products, we worked to enhance the functionality of our ceramic electrostatic chucks and expand our sales efforts beyond the flat panel display sector to include semiconductor-related companies. As a result, that business enjoyed a gradual recovery. Meanwhile, we expect our LED lighting business to continue growing, driven by the upcoming ban on fluorescent lamp production in 2027. Regarding new business initiatives, we launched sales of a natural turf cultivation system to address sunlight shortages in Japanese sports stadiums. We also held workshops for stakeholders at the Japan National Stadium and Nagasaki Stadium City. As a result, we reported a slight increase in overall net sales. Due to structural reforms and reduced selling, general and administrative expenses, we posted a decrease in the segment loss.

^{*1} CIM: Ceramic injection molding, ^{*2} LIM: Liquid injection molding

Growth strategies

Leveraging our accumulated technological expertise to develop new products and expand our business domains

In our precision dies and mold operations, we are leveraging our accumulated technologies and experience to commercialize peripheral equipment for injection molding machines. We are also expanding our lineup of products aimed at solving customer challenges, including molds, automated assembly systems, image inspection systems, and LIM dosing pumps. Our aim is to expand the applications for our ceramic products. In addition, we will roll out our high-precision linear stages, which incorporate linear motors and motion controllers, to markets related to flat panel displays and semiconductors. In the LED lighting business, our solutions extend beyond LED products to include the commercialization of biodegradable plastic artificial turf and ground materials. This allows us to serve both natural and artificial turf stadiums. Looking ahead, we also plan to expand into South Korea and other Asian countries.

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

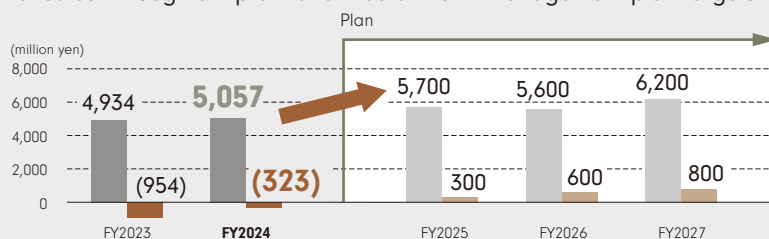
Opportunities

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

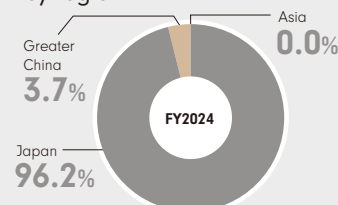
Risks

- Globally rising fuel prices, shortages of raw materials
- Export restrictions on semiconductor manufacturing equipment

■ Net sales ■ Segment profit and medium-term management plan targets



Composition ratio of net sales by region



Participation in Major Exhibitions

In 2024, Sodick participated in major global exhibitions for machine tools, industrial machinery, and food machinery. Our booths attracted significant attention at each event, resulting in numerous inquiries.

Machine Tool Segment

JIMTOF 2024 (Japan International Machine Tool Fair) November 5–10, 2024

@Tokyo Big Sight

We proposed automation and labor-saving solutions at one of the world's largest international technology shows.

Focusing on automation and labor-saving solutions to meet customers' productivity needs, we showcased an automated system integrating two machines with robotic support. We also displayed automated systems, the latest processing machines, and cutting-edge technologies that leverage our further-refined core technologies—all aimed at addressing labor shortages and improving productivity for our customers.



Our automation solution, which integrates two machine models using a robot, drew significant attention.

IMTS 2024 (International Manufacturing Technology Show) September 9–14, 2024

@McCormick Place, Chicago, IL, USA

We exhibited in a large booth at the IMTS, one of the world's top-four machine tool trade shows.

The machines we displayed in our 500m² booth were divided into three industry-specific themes—tool and die, aerospace, and medical. We showcased the latest machining centers and EDMs designed to meet the high-precision component processing demands of the mold manufacturing, medical device, and aerospace sectors.



During the exhibition, we also conducted interviews with key customers and filmed promotional videos introducing new products.

Industrial Machinery Segment

Nagoya Plastic Industrial Fair 2024

November 20–22, 2024 @Port Messe Nagoya

We exhibited two cutting-edge models under the theme “Evolution of the V-LINE.”

We exhibited our GL30G2-LP state-of-the-art horizontal injection molding machine and our VR200G cutting-edge vertical rotary-type injection molding machine. Using various keywords, such as direct horizontal recycling, electricity consumption reduction, downsizing, and the use of AI and IoT, we introduced comprehensive solutions tailored to a wide range of customer needs, as well as new models and functions.



Our VR200G vertical rotary-type injection molding machine attracted significant interest.

Food Machinery Segment

FOOMA JAPAN 2024

June 4–7, 2024 @Tokyo Big Sight

In addition to showcasing new products, we introduced a wide range of items through video presentations.

We showcased new products, including the continuous vacuum cooling equipment, three-roll sheeter, upward-facing tray de-breading machine, and VM-5 vacuum mixer. We also used many video presentations to highlight the appeal of these products.



Many domestic and international companies involved in food production processes exhibited at the event.

Intellectual Property Strategy

Tetsuo Sera

Department Manager
Intellectual Property Department



Basic policy regarding intellectual property rights

The Sodick Group places importance on acquiring and protecting development rights to technologically differentiate our products and services. We have formulated the following basic policy on intellectual property rights.

1. The Company recognizes that intellectual property is an important management asset and will strive to protect and

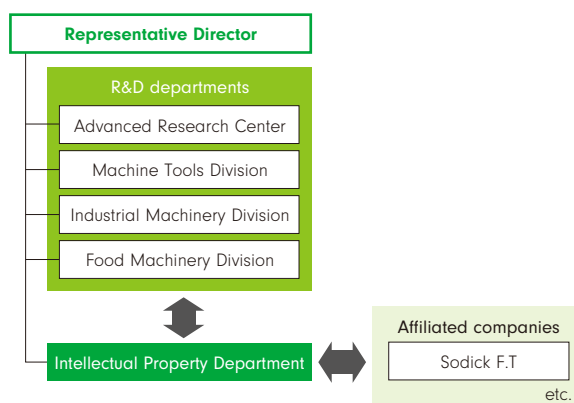
utilize intellectual property.

2. The Company will comply with laws, regulations, and internal Company guidelines related to intellectual property and will respect other companies' intellectual property.
3. On the basis of analysis of patent information, the Company will formulate appropriate intellectual property strategies to secure sustainable growth and enhance corporate value.

Intellectual property management structure

The Intellectual Property Department of Sodick is under the direct control of the President and has responsibility for all operations related to the intellectual property in the Sodick Group. The Intellectual Property Department manages, unitarily and transversely, all the intellectual property of business divisions, and can facilitate making the intellectual property strategy while considering the synergies of the Sodick Group as a whole.

Intellectual Property Department staff are stationed at the Head Office/Research and Technology Center (Yokohama, Japan) and the Kaga Factory (Japan) to ensure smooth coordination with engineers and management.



Intellectual Property Landscape

We recognize Intellectual Property Landscape (IPL) as one of Sodick's most important intellectual property administrative operations. IPL is a methodology for formulating business strategies and corporate decision-making and effectively utilizing the outcome through the comprehensive analysis of patent/non-

patent information, the current situation, and future predictions. To strengthen the IPL operations, we encourage all members of the Intellectual Property Department to obtain the specialist certification of "Intellectual Property Analyst (Patent), certified by the Association of Intellectual Property Education."

Proactive approach to intellectual property

In 2022, the Intellectual Property Department launched the IPL to "take a proactive approach to intellectual property." We aim to firmly tie investment in intangible assets to the future enhancement of corporate value and shorten this cycle. To instill a spirit of "active intellectual property" in Sodick, we provided the R&D department and planning department in each division with demonstrations on the IPL.

For example, at the food machinery segment, we have included intellectual property strategy meetings as one of our strategy planning meetings. With the mission of "creating a safe, secure, healthy, and delicious food culture," the Food Machinery Division is establishing a business foundation as

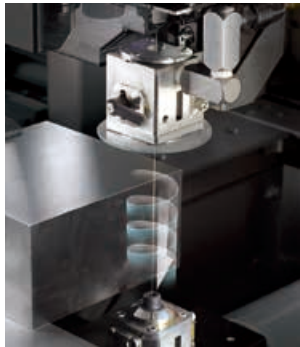
a "comprehensive, global manufacturer of food machinery" in this growing market, as well as achieving greater sustainability. We are supporting the Food Machinery Division's activities by conducting big data analysis of patent/non-patent information from the perspective of intellectual property, with a focus on the CIP* and sterilization technologies that have competitive advantages. We are also compiling market analysis reports regarding growth potential in the food machinery market, our strengths and weaknesses, and technological developments at potential competitors.

* Cleaning in Place: Stationary cleaning that is automatically carried out inside the machine without the need for disassembly

Sodick's strengths in intellectual property

► Machine tool segment

One recent development achievement that has earned high acclaim is our i groove wire rotation mechanism for wire-cut EDMs. To secure i groove as a proprietary Sodick technology, we have filed global patent applications and obtained patents in Japan (Patent No. 6754165), the United States, Europe (Germany and the United Kingdom), China, Taiwan, South Korea, India, Singapore, and Thailand.



► Industrial machinery segment

One challenge with vent-type injection molding machines has been vent contamination, where resin material leaks from the vent holes and disrupts continuous molding. Sodick's V-LINE system, which does not involve back-and-forth screw movement, is much less prone to vent contamination. To further address this issue, we developed an automatic condition correction function called AI-VENT (Patent No. 6804674).

Our Nendy-E (Patent Nos. 7328431 and 7560623) is a device that, when attached to a V-LINE injection molding machine, uses the machine's mechanism to measure the melt viscosity of resin materials. Using Nendy-E to measure and manage melt viscosity makes it easier to assess the degradation of resin materials, which helps ensure the consistency of molded product quality.

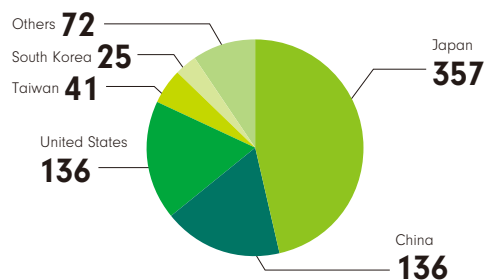


Targets and progress related to intellectual property

From the perspective of improving corporate profitability, in 2024, we optimized our patent portfolio in line with our business strategy by applying a "selection and concentration" approach to intangible asset investments. Since 2023, meanwhile, we have been using IPL to support strategic planning. Here, we analyze intellectual property, market data, and other information to help formulate more precise business strategies.

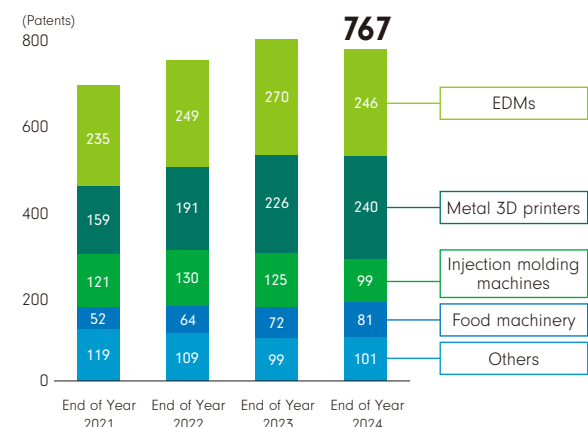
We continue to focus on addressing counterfeit products, taking proactive legal action in particular against sellers and manufacturers of counterfeits in China. To protect the Sodick brand, we will also continue acquiring trademark and design rights, pursuing litigation, monitoring and requesting the removal of infringing items on e-commerce platforms, and canceling fraudulent trademark applications.

Number of patents held by country and region
(as of the end of December 2024)



With a sales structure in the five major markets of Japan, China, the rest of Asia, the United States, and Europe, Sodick is pursuing a competitive advantage by building up a global patent portfolio. We will work to optimize countries for patent applications according to our management plans.

Number of patents held by product



Technology Strategy

We will continue to be a pioneer in EDMs in the next generation by combining our accumulated technologies with AI and data technologies.

Technology development strategy

Sodick started as a machine tool company, and as of today, machine tools, mainly EDMs, account for close to 70% of total sales of Sodick. Our founder, Toshihiko Furukawa, invented a non-wearable electrode circuit for EDMs in the 1960s, which led to great advances in electrical discharge technologies. Later, by equipping EDMs with NC units, we made it possible to automate the entire process, from processing to finishing. Thanks to these achievements, Sodick is recognized as a pioneer in EDMs. Since our founding, we have improved the performance of our products by internally manufacturing parts and equipment critical to the performance of our machines, rather than relying on external procurement. Through this experience, we have accumulated diverse manufacturing technologies. Currently, we are

stepping up development of high-value-added products by integrating our accumulated technologies with technologies for using big data.

EDMs will remain our core products into the future, and developing next-generation models will continue to be a key focus for us. Rather than pursuing in-house manufacturing for its own sake, we have turned to it when we could not meet the criteria demanded by our customers and/or ourselves through components purchased externally. If purchased components do not present any issues, we do not need to spend valuable internal resources on product development. At the same time, we are always considering possibilities, such as M&As and alliances, to improve development efficiency.

R&D initiatives in FY2024

In FY2024, we focused on research into algorithms for extracting optimal machining conditions and CAM development for a laser processing machine that has entered the commercialization phase. A feature of this laser processing machine is that it emits laser pulses in extremely short femtosecond intervals, causing no thermal impact on workpieces. Since a multitude of materials can be used for processing, extracting optimal machining conditions remains a critical challenge, so we will continue our research in this area.

In product development, we worked using AI to improve the basic performance of our mainstay EDMs while advancing overall automation. Since EDMs are already technologically mature, it is difficult to differentiate the performance of our products from that of competitors. Accordingly, we focus on using DX and AI to create added value that users feel is beneficial.

Through these initiatives, in FY2024 we released a variety of products, including the “LSP4040” linear motor-driven femtosecond laser processing machine.

In addition, our “AX350L iGroove+ Edition” (wire-cut EDM) received the Main Award at the 67th Best 10 New Product Awards, and our Nendy-E (injection

molding machine-mounted viscosity measurement device) won a Machinery & Robot Component Award at the 2024 ‘CHO’ MONODZUKURI Innovative Parts and Components Awards. The Nendy-E is a melt shear viscosity measurement attachment that replaces the injection nozzle of an injection molding machine. It helps improve the evaluation and management of material viscosity, contributing to higher-quality molded products. Recently, many manufacturers have been working to utilize recycled plastics, highlighting the importance of viscosity measurement, an indicator of material degradation. The Nendy-E costs less than a quarter of traditional standalone viscosity measurement devices. It easily measures melt viscosity by simply attaching it to an injection molding machine, thus supporting the broader use of recycled plastics.

In FY2025, we will continue working to differentiate our products from those of our competitors through EDM-related basic research and applied development. The machine tool industry is also facing the need to shift from a business model centered on standalone machine sales to one focused on after-sales services. Therefore, we will work to align our products and functions with this transition.



Tatsuo Toyonaga

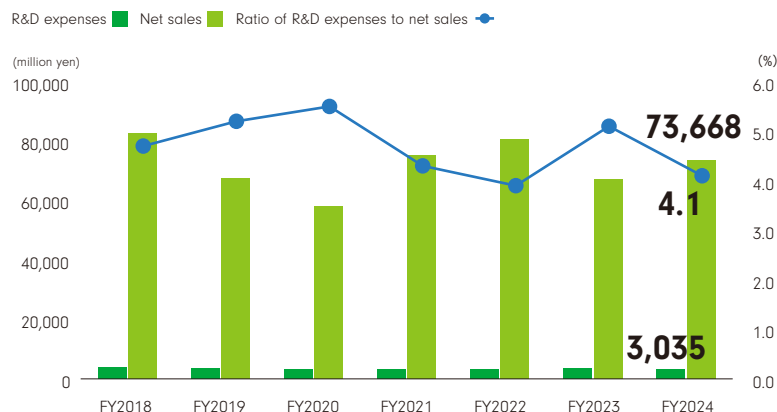
General Manager
Advanced Research Center

R&D structure and investment

Sodick develops products at R&D departments in each division— machine tools, industrial machinery, and food machinery. We also have R&D functions in the Japan Head Office, Silicon Valley in the United States, and Shanghai, China. We are conducting medium- to long-term research including advanced software, hardware, and next-generation technologies, aiming to enhance our competitiveness with advanced technologies.

In Sodick, there are roughly 200 R&D engineers in Japan and roughly 50 overseas. As we work toward achieving our mid-to-long-term business vision, we are developing human resources while recruiting new personnel to develop systems like IoT and strengthen our software development structure. We are also investing steadily in R&D, with a benchmark of 4–5% of net sales.

R&D expenses



Materiality issue: Contributing to evolving manufacturing

We intend to continue to support our customers' manufacturing far into the future. We launched metal 3D printers in 2014 and offered new ways of making metal molds. However, manufacturing is entering another new age and we are constantly pursuing R&D with a view toward the next stage.

Our strength in food machinery is in aseptically-packed cooked rice production systems for making packaged cooked rice, and the application of this sterilization technology has made it possible to extend the shelf life of *onigiri* rice balls sold at convenience stores to 36 hours, from the previous 18 hours. This is contributing to reduction of food waste. The "AX350L iGroove+ Edition" ultra-precision wire-cut EDM is a new product that meets the demand

for long-term stable machining and labor saving in precision mold manufacturing, and is equipped with a wire rotation mechanism and energy-saving functions to realize environmentally friendly and sustainable production.

For the future manufacturing business, we recognize that needs for automation and labor savings to address labor shortages and technological succession will accelerate further. We are currently focusing on technologies for software and IoT systems to provide innovative total solutions connecting with various machines. We will work to develop digital technologies in various areas with a spirit of "We create it if it does not exist" to realize customers' dreams.

Sodick's Sustainability

Policy, Structure, and Initiatives for Sustainability

Basic Policy for Sustainability

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

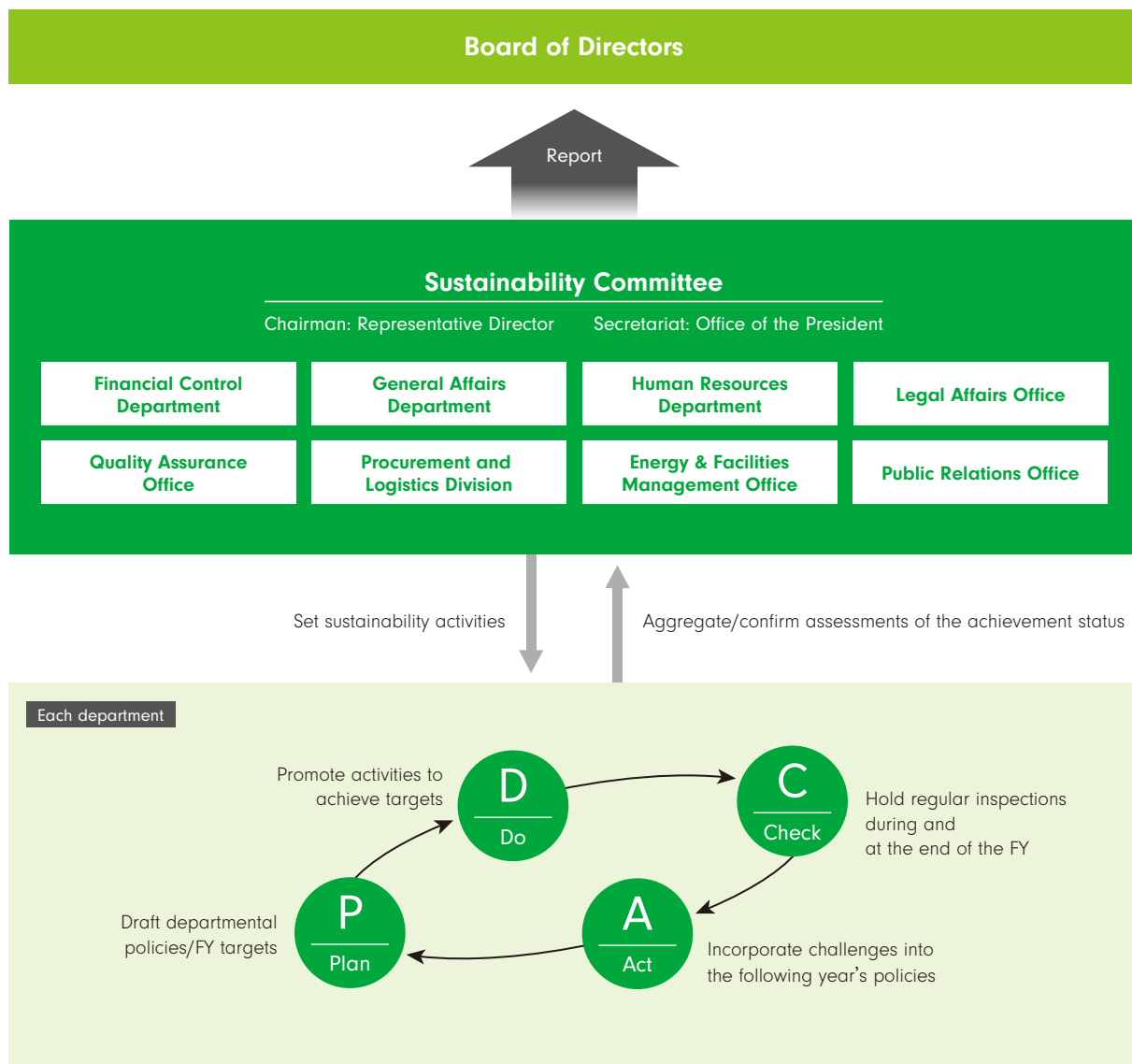
We do this in accordance with the Sodick Group Corporate Ethics Charter and Corporate Code of Conduct (Compliance Guidelines). On the basis of the practice of sincere business activities, we recognize that sustainability initiatives such as “contributing to evolving manufacturing,” “addressing environmental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

Structure for Promotion

The Sustainability Committee, chaired by the Representative Director, sets policies and targets for mid-to-long term themes including climate change, carbon neutrality, human rights, and health and productivity management, and manages sustainability activities being carried out Company-wide.

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

System for Promoting Sustainability



Materiality Designation Process

Addressing the UN's Sustainable Development Goals (SDGs) and other issues surrounding sustainability is essential to achieving the Group's sustainable growth and vision, and we recognize this as an important management issue. We have designated our materiality to accelerate the sustainability activities we have been carrying out to date, as we strive to enhance corporate value over the medium to long term.

In the materiality analysis, we analyzed the relevance and importance of global social issues and the 17 SDGs to our company from both positive and negative aspects. From that analysis, we then identified social issues in light of our corporate philosophy, and summarized them as four materiality issues (important issues).

Analysis of 17 SDGs in Terms of Their Relevance and Importance to Sodick

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Poverty	Food waste Agricultural support	Medical care/ Social welfare	Support for schools and education	Gender equality	Provision of clean water and toilets	Energy savings Renewable energy	Fulfilling and humane employment Economic growth	Provision of manufacturing infrastructure
Degree of relevance	○	○	△	—	○	—	◎	○	◎
Degree of importance	○	○	△	—	○	—	◎	○	◎
	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
	Diversity	Urban development	Production and consumption Food waste	Global warming countermeasures	Reduction of marine debris	Forest preservation	Prevention of violence, corruption, and bribery	Strengthening capital, technological, functional, trade, and other partnerships	
Degree of relevance	○	—	◎	◎	○	○	○	○	
Degree of importance	○	—	◎	◎	○	○	○	○	

Designation of Important Issues in Light of Our Philosophy

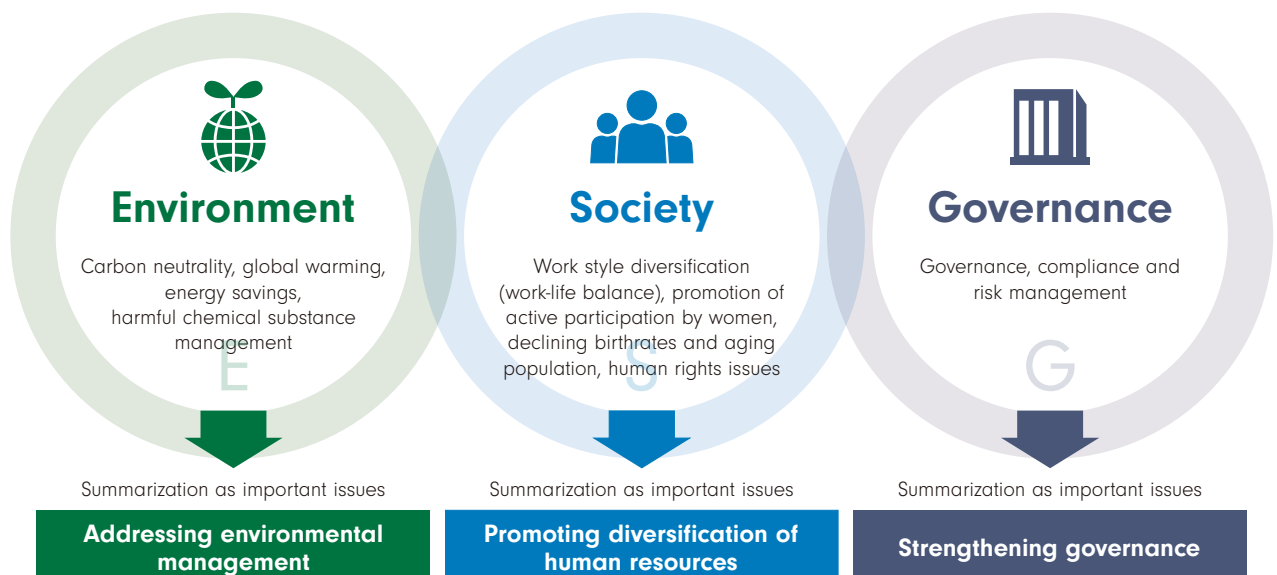
Philosophy

With a spirit of "Create," "Implement," and "Overcome Difficulties," the Sodick Group's philosophy is to contribute to society's sustainable development by **providing the highest value that supports customers' manufacturing operations.**

Identification of social issues

Shift to next-generation vehicles, factory automation and labor savings, addressing IoT

Contributing to evolving manufacturing



Progress of Materiality Initiatives

Setting Materiality KPIs

We cannot simply designate materiality; it also needs to be integrated with our business strategy as “important issues related to the sustainability of our business model.” We are carrying out ESG

activities as part of our measures to strengthen our management base under the medium-term management plan, and we have set materiality KPIs for these activities.

Four Materiality Issues (Important Issues) and Main KPIs

		KPIs
		Targets
Contributing to evolving manufacturing  Anticipated outcomes Contribute to the foundation for economic development through the advancement of sophisticated manufacturing - Higher precision, higher functional EDMs - Higher precision injection molding machines and greater diversity of molding materials		Setting targets for environmentally friendly products
		Percentage of environmentally friendly products in total machine tool sales: 75% by 2026
		Percentage of environmentally friendly products in total injection molding machine sales: 100% by 2026 * Incorporates P. SAVE MODE
Addressing environmental management     Anticipated outcomes Use renewable energy and reduce CO₂ emissions to achieve carbon neutrality - CO₂ emission reduction targets - Promotion of wire recycling system - Use of solar power generation - Environmentally friendly products (biodegradable plastic molding machines, boiling machines equipped with CIP automated cleaning, etc.) - Conversion to environmentally friendly company vehicles - Implementation of QVP+ activities		Reducing greenhouse gas emissions
		Greenhouse gas emissions (Scope 1 and 2) (1) 46% reduction by 2030 (vs. that of 2017) (2) Carbon neutrality by 2050 (including Scope 3)
		Improving energy consumption rate index
Promoting diversification of human resources    Anticipated outcomes Further promote a corporate culture in which diverse employees can work comfortably with a sense of satisfaction - Personnel system (job classifications aligned with life stages, impartial evaluation of performance) - Hiring of non-Japanese employees - Addressing the Act on Promotion of Women's Participation and Advancement in the Workplace - Promotion of work style reforms (reduced working hours, remote work, parental and nursing care leave, etc.)		Increasing percentage of women in management positions
		5% by 2026
		Increasing percentage of male employees taking parental leave
Strengthening governance  Anticipated outcomes Strengthen both offensive and defensive governance to support management as the Company grows - Enhancement of governance - Strengthening of risk management and compliance - Thorough export controls		No numerical targets set. Aim to resolve issues from perspectives including evaluation of the Board of Directors' effectiveness, internal controls, risk management, and compliance.

Major Activities during 2024

Stakeholder	Theme	Activity	Related SDGs
Environment	Reducing environmental impact of business activities	- Measures to conserve and recycle resources (reduction of paper and plastic waste, reuse of packaging materials, etc.) - Installed solar power generation system (business sites in Japan and overseas) and visualized peak electricity demand to reduce electricity use - Strengthened and improved management of harmful chemical substances	   
	Green procurement	- Revised Green Procurement Standards - Activities to reduce printed materials with printing failure	
Customers	Contributing to the environment through products	- Promoted development of environmentally friendly products - Promoted development of recyclable and green products	   
	Quality enhancement	- Activities to reduce design-caused defects - Strengthened risk assessment by machine model - Formulated manual of welding standards for machine tools	 
	BCP	Business continuity plan for procurement and logistics (survey, improvement)	
Society	Social and cultural activities	- Participated in "Clean Beach in Kaga" - Participated in "Eco-Festa in Kaga 2024" - Sodick sumo team participation in major competition	 
Employees	Promoting diversity	- Hired non-Japanese employees - Accepted non-Japanese technical interns - Hired employees with disabilities - Promoted and encouraged women in the workforce	 
	Creating comfortable workplace environments	- Promoted health and productivity management - Introduced remote working, reduced working hours, and staggered working hours systems - Carried out employee satisfaction survey and applied scores as compensation indicator for Directors - Activities to eliminate harassment - Held safety training to eliminate work-related injuries - Traffic safety courses and dissemination of information to employees to prevent traffic accidents with company vehicles	
	Human resource development	- Conducted servant leadership training - Held IT security seminar - Made core personnel, skills, and qualification information visible (talent management system)	
Shareholders and Investors	Strengthening corporate governance	- Adjusted corporate governance structure - Strengthened internal controls and risk management - Strengthened management supervisory functions - Announced Declaration of Partnership Building - Formulated Multi-Stakeholder Policy	
	ESG information disclosure	- Issued Integrated Report - Disclosed information in response to TCFD recommendations - Expanded disclosure of ESG information	

Examples of Creating Value



Kaga Factory

Contributing to evolving manufacturing Development of linear motor-driven femtosecond laser processing machine

More than a decade ago, we began basic research into ultra-short-pulse lasers to meet machining needs for a wide range of materials, from brittle to high-hardness materials.



Sodick has long supported precision mold manufacturing and ultra-precision parts machining across a wide range of industries, centered on EDMs. In recent years, manufacturing demands in the field of microfabrication have become increasingly diverse, with a notable rise in processing needs for new materials. Because some materials are difficult to machine using electrical discharge or cutting methods, we turned our attention over a decade ago to ultra-short-pulse lasers, which enable non-thermal processing, and have since conducted basic research in this field. Ultra-short-pulse lasers can process a wide range of materials, from brittle materials (such as ceramics, optical glass, and wafers) to high-hardness materials (like diamond and cemented carbide). Accordingly, demand for such lasers has grown in recent years across various industries and fields.

Femtosecond lasers*, in particular, have short pulse durations, allowing the laser to complete irradiation before heat can transfer to the material. As a result, issues such as thermal cracking and debris (accumulated particles of solidified material scattered during processing) are less likely to occur. This enables precision and fine processing to be completed in a very short time.

* An ultra-short-pulse laser that emits light in femtosecond (one quadrillionth of a second) intervals. For the same amount of energy, a shorter pulse duration produces a higher-intensity laser beam. This reduces thermal damage to the workpiece and allows for cleaner, more precise processing than lasers with longer pulse durations.

Micro-laser processing machine for difficult-to-process materials—Inspired by customer needs

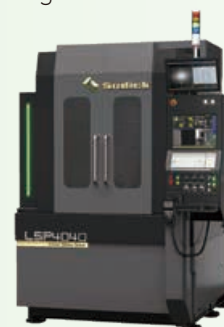
A customer using Sodick's EDMs approached us with the words, "Only Sodick can deliver a high level of high-precision machining tailored to our needs," and asked whether we could develop a high-precision laser processing machine for difficult-to-process materials. This request became the catalyst for launching a development project at our Kaga Factory in 2023 aimed at commercializing a laser processing machine.

Development moved at a rapid pace, and we delivered the first unit of our femtosecond laser processing machine around one year after the project's launch. The customer remarked, "Sodick delivered exactly what we asked for—from machine specifications and control systems to optical design and measurement mechanisms."

To meet the needs of customers across a wider range of industries, we launched the "LSP5070," a linear motor-driven femtosecond laser processing machine, in Japan in October 2023, followed by the more compact "LSP4040" in November 2024.



A relief processing of a photograph of our head office building. Light and dark areas of the image are expressed through gradation processing at the micron level.



"LSP4040" linear motor-driven femtosecond laser processing machine

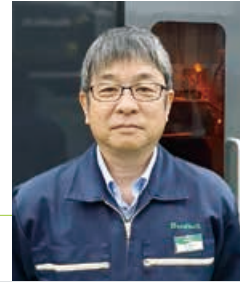
Interview with development leader

Machine tool segment

Bringing together in-house experts to rapidly develop and launch a state-of-the-art laser processing machine

Deputy General Manager, Laser Processing Machine Division, Machine Tools Division

Shuichi Kawada



Q1. How did the development project at the Kaga Factory progress?

We brought together six specialists with expertise from four sections: mechanical design, electrical design, optical design, and software design. I oversaw the project as a whole. While we completed product development within a year, we continued discussing the final sales specifications until the end. Initially, we considered creating a standard version to keep costs down, but we ultimately adopted a customizable approach that allows users to select from a variety of laser oscillators, to meet each customer's specific precision processing needs.

At Sodick, we are committed to sincerely addressing our customers' difficult challenges through technical expertise. We aim to foster "world-class manufacturing" by providing total manufacturing solutions. Our mission is to develop and deliver equipment that can respond precisely to the needs of customers.

In line with this approach, we developed and equipped a laser processing machine with a "tornado-style dust collection nozzle." This generates a swirling airflow around the processing point to capture metal vapor generated during laser processing, which helps stabilize processing quality.



Q2. It has been many years since the basic research stage. What has been the biggest technical challenge, and how did you overcome it?

The basic research was primarily carried out at our Advanced Research Center in Yokohama. The biggest challenges we faced at that stage came after completing the process condition testing for the laser. When we moved on to the next phase, called shaping, we found that, for some reason, numerous tiny pillars measuring just a few microns remained in areas that should have been removed. There were no errors in the program or processing conditions, and the laser was clearly hitting the pillars along its designated path. Even after examining factors, such as the laser spot's energy distribution, we could not identify the cause. Ultimately, we performed elemental analysis on the remaining micron-scale pillars and discovered that only a specific element within the metal composition had remained. Moreover, we found that this phenomenon occurred frequently under the same conditions. In response, we looked for laser parameters to vaporize the specific element forming the residual pillars and established a proprietary two-step fluence method—now patent pending—that applies laser irradiation with optimal timing. This approach eliminated the residual micro-pillars to enable high-quality surface finishes.

Q3. What kind of value does the Laser Processing Machine Division aim to create going forward?

The applications of femtosecond lasers are expanding daily, and we believe the ultra-short-pulse laser market will continue growing.

Potential future applications

- Semiconductor and electronics manufacturing: Microfabrication of SiC, GaN, and Ga₂O₃ wafers; micro-patterning of electronic circuits
- Medical and biomaterials: Surface texturing of artificial joints; precision processing of medical devices
- Optical industry: Surface modification of optical lenses and prisms to enhance optical properties
- Automotive industry: Micromachining of fuel injection nozzles and microholes to improve engine combustion efficiency
- Precision metalworking: Machining of high-hardness diamond tools (such as PCD and CVD); surface texturing of molds to improve water repellency and release performance

Looking ahead, we expect the value of femtosecond laser processing to grow further across the fields of industry and research. We believe that innovative processing will unlock potential needs and create new manufacturing possibilities, and we hope to play a role in that future.

2

Sodick, Inc. (Chicago)

Sodick America Corporation (San Jose)

From a manufacturer of EDMs to a global manufacturing partner—Expanding our customer base in the global market

Strengthening promotional activities targeting North American global companies to expand Sodick's customer base in the global market

Since launching its business activities in the United States in the 1980s, the Sodick Group has developed its operations throughout North and Central America. Sodick, Inc., our U.S. sales subsidiary, operates across four locations in the United States—with headquarters in Schaumburg, Illinois, and technical centers in Connecticut, New Jersey, and California—as well as in Canada. Focusing on the North American market, we provide EDMs, metal 3D printers, machining centers, injection molding machines, and other products and solutions to customers in various industries, including aerospace, automotive, and medical devices.

To date, Sodick, Inc. has focused mainly on promoting products. Moving forward, however, we plan to reinforce our brand by highlighting not only our product capabilities but also our key strengths: our global business infrastructure and high-level support services. Since market awareness for non-EDM lines is low, moreover, we aim to highlight the fact that our machining centers and metal 3D printers are just as reliable and precise as our EDMs.



New CRM platform—Tracking the entire user experience to gain deeper insights into customer needs

Our marketing team supports existing customers in North America while working to acquire new ones. As a new promotional strategy, we have started approaching customers using videos and social media to increase the presence of the Sodick brand. In marketing, we have been using customer relationship management (CRM) systems to conduct effective promotional activities for customers across vast areas. In July 2024, we launched a new CRM platform with enhanced functionality. This allows us to precisely analyze data obtained from customers and past campaigns, enabling us to better understand the market and accurately grasp customer needs. Starting in 2025, we are also introducing a sales support SaaS to improve the accuracy of our promotional efforts and more effectively identify new users. By the end of 2025, we plan to track the entire user experience through our CRM platform and establish an accurate support structure.

To execute our social media strategy more effectively, we are utilizing the platform developed by Titans of CNC.

Our social media strategy, which leverages platforms like LinkedIn, Facebook, and YouTube, is aimed at strengthening our marketing efforts and reaching a broader audience. Because our customers actively use these social media platforms, Sodick, Inc. is able to deliver the latest trends and technical information to a wide range of users through social media.

Titans of CNC, with whom we began a partnership in November 2024, provides CNC machining education through social media. Its online education platform, "Titans of CNC Academy," is rapidly expanding its reach, delivering valuable information to users in the manufacturing industry. Within just a few months, it has released videos on platforms like TikTok, Instagram, and X, showcasing real-world examples of how Sodick's technology can elevate manufacturing processes. With the click of a mouse, viewers can experience what can be done with Sodick's machine tools. In 2025, we will distribute Sodick product content created via Titans of CNC at least once a month, delivering information to a wide audience of users.



Interview with marketing leader

Machine tool segment

I believe that Sodick will play a vital role in advancing manufacturing around the world.

Marketing Manager
Sodick, Inc.

Brad Schwind (left)

Executive Vice President/COO
Sodick, Inc.

Mark Sanhamel (right)



The purpose of our partnership with Titans of CNC is to create video content showcasing our technology, generate new customer acquisition channels, and demonstrate our capabilities to the market. The released videos have received highly positive feedback from many companies in our target audience. Existing users also expect us to provide much more information about Sodick's technical capabilities.

Our marketing team seeks to build strong connections with customers through social media and plans to actively participate in industry events in 2025 to further strengthen our presence. These include the Westec Show in Anaheim, California; the Northwest Machine Tool Expo in Portland, Oregon; and the Canadian Manufacturing Technology Show (CMTS) in Toronto, Canada. However, our most exciting event will be the open house at the headquarters of Sodick, Inc. and we are planning to welcome more visitors than ever before.

The manufacturing industry in North America is facing the challenge of an aging skilled workforce of technicians, making it difficult to secure new talent. While working to expand our market share, we support our customers through machining-related technical education and training. Through such support, we aim to help the North American manufacturing industry overcome its workforce challenges and move confidently into a new era. We will also strive to help the younger generation become a force in the manufacturing industry of the future. Through these efforts, I believe that Sodick will play a vital role in advancing manufacturing around the world.

Helping create a safe, secure, and delicious food culture as a comprehensive, global manufacturer of food machinery

Accelerating the global expansion of our third business pillar

Our food machinery business began in 2007 when Tom Co., Ltd., a manufacturer of noodle-making machines, joined the Sodick Group. Our decision to enter the business, which is relatively impervious to economic fluctuations, was partly driven by our goal of stabilizing the Group's overall performance. Initially, we focused on developing and manufacturing noodle-making machines. However, in 2016, we established our food machinery plant at the Kaga Factory and began developing and making aseptically-packed cooked rice production systems. These systems have since become a core product line, and net sales in the food machinery segment have grown to approximately three times that of when we entered the market, making the segment a growth driver for the Group.

Our overseas expansion began in the Chinese market, where we focused on our core noodle-making machines. In 2019, we established a subsidiary in Shanghai to further strengthen our sales and service capabilities. We have also sought to expand our market presence by forming partnerships with local distributors in South Korea, Taiwan, and Thailand.

1 Domestic business sites

- Kaga Factory (Kaga, Ishikawa)



- Tokyo Office (Hachioji, Tokyo)
- Osaka Office (Toyonaka, Osaka)
- Kyusyu Office (Onojo, Fukuoka)

2 Overseas sales subsidiary

- Sodick Tom (Shanghai) Co., Ltd.



The food machinery segment has built a 30-year track record of sales in China. To further strengthen our sales and service capabilities, we established a subsidiary in Shanghai in 2019 to provide comprehensive support, from sales and installation to maintenance.

3 Overseas manufacturing subsidiary

- Sodick Amoy Co., Ltd.



With demand increasing for our food machinery products, including noodle-making machines and cooked rice production systems for overseas markets, expanding our production capacity became essential for business growth. Accordingly, we added a new building to our factory in Xiamen, China, in January 2023.

Rapid expansion of processed food market in Southeast Asia and India due to economic growth and changing lifestyles

In the food machinery segment, we are implementing structural reforms and accelerating our overseas expansion. In addition to China and South Korea, where we are currently operating, we are working to strengthen development and sales of aseptically-packed cooked rice production systems to expand into other countries where rice is a staple food. In the noodle-making machine business, demand for frozen noodles and non-fried noodles has been growing significantly in the Chinese, South Korean, and Taiwanese markets, and we are taking advantage of this trend to develop new customers. Southeast Asia and India are also markets with great growth potential. In the same way that frozen noodles and packaged cooked rice began gaining popularity in Japan from the late 1980s through the 1990s, the processed food market—including those items—is expected to grow rapidly in Southeast Asia and India, driven by economic growth and changing lifestyles.

To capture this growing demand, we began exploring new opportunities in India and Vietnam in 2024. Looking ahead, we also plan to expand into other markets, including Indonesia, the Philippines, and the United States.

Seeking to enrich people's diets with food machinery born from Sodick's advanced technological capabilities

Manager, Global Section, Sales Dept., Sales Management, Food Machinery Division

Shingo Fujino



1

Order received for vacuum extruder from India's second-largest instant noodle manufacturer

We received an order for a vacuum extruder for instant noodles from a major Indian conglomerate engaged in the food, tobacco, consumer goods, and hotel businesses. It was the segment's first customer in India, and since this customer holds a significant share of the local instant noodle market, we see this as a major stepping-stone for our expansion into the Indian market. We have already completed onsite installation, and the pilot trial has been well received.



Vacuum extruder

2

Order received for aseptically-packed cooked rice production systems from a major South Korean food manufacturer—testament to Sodick's proven track record and technology

In South Korea, we are actively developing our customer base through local distributors. With an even more severe aging population and declining birthrate than Japan, demand in that nation for packaged cooked rice and frozen noodles is expected to remain strong. Accordingly, we are stepping up our sales efforts in South Korea, which is a key target market alongside Japan.

In 2024, we delivered a hybrid packaged cooked rice production system capable of both aseptic and retort processing within a single unit. The customer, a major South Korean food manufacturer, recognized our comprehensive track record and technical capabilities in South Korea, China, and Japan, which ultimately led to the successful contract.



Aseptically-packed cooked rice production systems

3

Leveraging our advanced technological capabilities to help resolve social issues around the world

Our food machinery segment is distinguished by our advanced technological capabilities developed over the past 30 years and our ability to deliver full-line solutions through a turnkey approach. Going forward, we will further strengthen our global business expansion. By providing automation systems to both domestic and international markets, we help address labor shortages and improve production efficiency, thereby contributing to enhanced productivity and cost reduction for our customers. Our mission is to deliver safe, high-quality, and long-lasting sustainable food products to people around the world through advanced sterilization technology.

In Japan, despite the ongoing trends of a declining birthrate and aging population, the markets for packaged cooked rice, frozen noodles, and chilled noodles are expected to continue growing. To address this, we aim to broaden our product lineup and pursue diversified business development and thus establish our position as a comprehensive, global manufacturer of food machinery.

Environmental Initiatives

Addressing Environmental Management

Accelerating Environmental Conservation Activities

The Sodick Group has designated four materiality issues as management's most important issues, one of which is "addressing environmental management." We will work on this issue along various themes including carbon neutrality, global warming, energy savings, and management of harmful chemical substances, from the perspectives of promoting sustainability activities and 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. We continuously review and improve our operations confirming the effectiveness.

Management of Chemical Substances That Affect the Environment

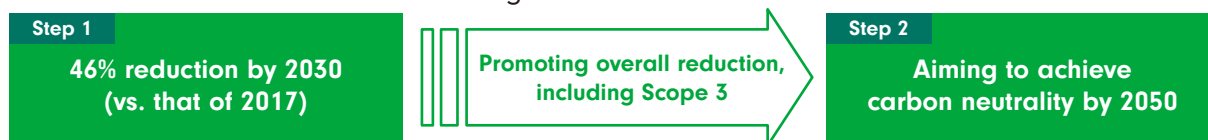
In addition to releasing our Green Procurement Standards and lists of hazardous chemicals, we worked to develop a proprietary ERP-linked harmful chemical substances control system (SHCSCS).

Environmental Policy—FY2025—

- 1) To take environmental factors into consideration at each stage across the entire life cycle of Sodick's products, we aim to reduce greenhouse gas emissions, taking into account climate change and resource depletion. We will also strive to develop products and establish production systems that contribute to a recycling-based society through such initiatives as the 3Rs (Reduce, Reuse, Recycle) + 1R (Refuse).
- 2) We will strive to centralize our control system for harmful chemical substances. We also aim to understand and comply with customers' requests and the laws and regulations of Japan and other countries in order to reduce and completely eliminate harmful chemical substances.

Long-Term Environmental Targets

Greenhouse Gas Emission Reduction Targets



Greenhouse gas*1 emission data (values calculated from January through December of relevant years)

	2020	2021	2022	2023	2024
Emissions (t-CO ₂)	19,222	22,413	21,578	18,826	17,514

*1 Scope 1 and 2

*2 Sodick business sites in Japan: market-based/Thailand factory: location-based

Environment-Related Materiality and KPIs

Materiality	KPIs		Activities
		Targets	
Addressing environmental management    	Reducing greenhouse gas emissions	Greenhouse gas emissions: (1) 46% reduction by 2030 (vs. that of 2017) (2) Carbon neutrality by 2050	Energy-saving measures: Expansion and installation of solar power generation systems, conversion to LED lighting, upgrading of energy-saving machinery and equipment, upgrading of air conditioning systems, optimal operation of compressors
	Improving energy consumption rate index	Energy consumption rate index: At least 3% improvement over three years (2024–2026)	Maintaining best-effort target of 1% reduction under Act on Rationalizing Energy Use
Contributing to evolving manufacturing 	Setting targets for environmentally friendly products	Percentage of environmentally friendly products in total machine tool sales: 75% by 2026	Reducing electricity consumption with AL i Groove+ Edition
		Percentage of environmentally friendly products in total industrial machinery sales: 100% by 2026	• Sales of AI-VENT (that does not use a dryer) • Incorporating P. SAVE MODE (energy-saving operation)

Examples of Initiatives

Expansion of Solar Power Generation Systems

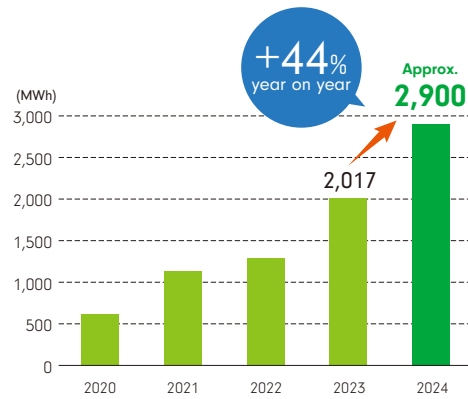
We are expanding solar power generation systems at our business sites both in Japan and overseas. We have been progressively installing the systems at the Kaga Factory since 2021, and the systems are now operational at the food machinery plant, multi-factory, and No. 8 factory. We also installed a system at the Saitama Technical Center in December 2024.

As a result of these efforts, the annual volume of solar power generated in 2024 has reached approximately 2,900 MWh (equivalent to the annual electricity consumption of around 800 households^{*1}), achieving a 44% increase in reduction compared to 2023 and eliminating roughly 1,227 tons^{*2} of greenhouse gas emissions annually. We will continue to aim for an increase in the energy-saving ratio.

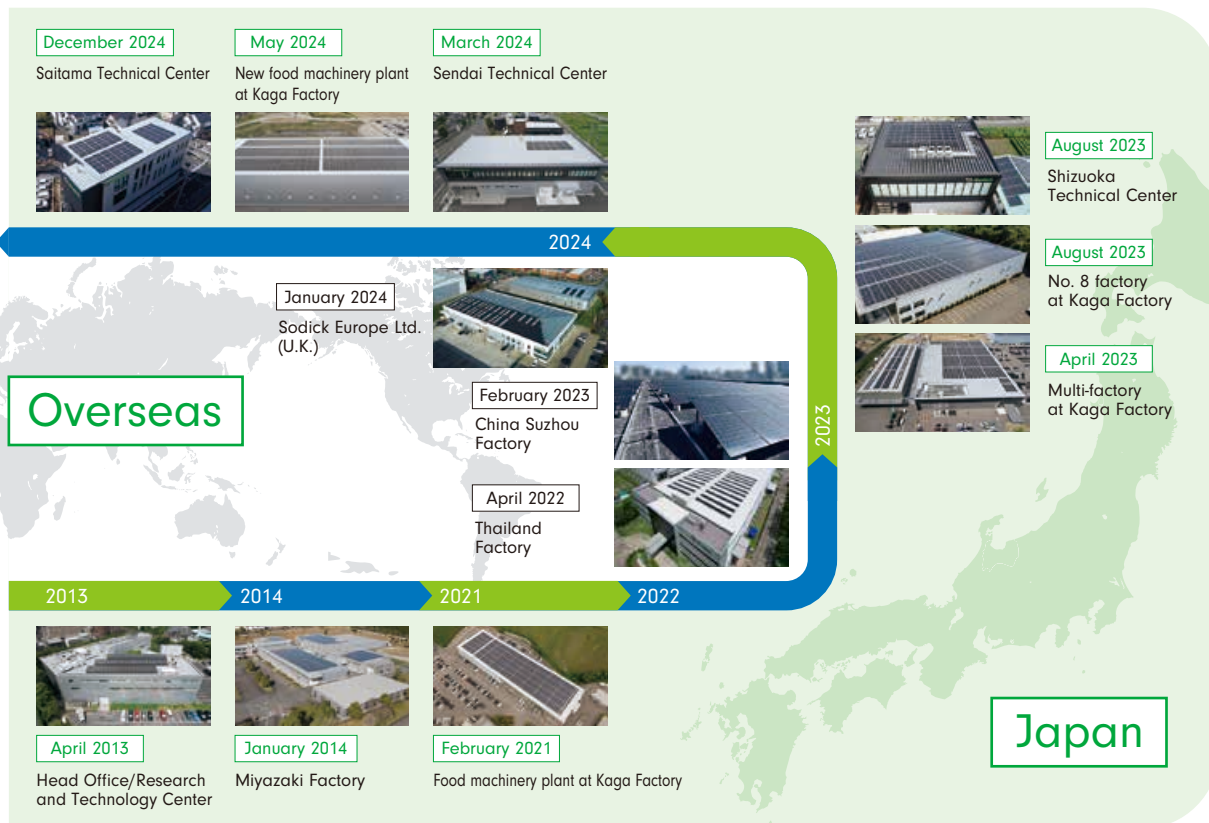
^{*1} Average household consumption calculated at 300 kWh/month per household

^{*2} Calculations based on emission factors by location published by the Ministry of the Environment

Solar power generation at Sodick facilities



Sites with solar power generation systems installed



CDP Evaluation

The Sodick Group received a “C” rating from CDP^{*} in its evaluation of the Group's climate change initiatives and information disclosure. We recognize our response to climate change as an important management issue and will continue to accelerate initiatives.



^{*} CDP: An international non-governmental organization (NGO) founded in the U.K. in 2000 whose main activities include requesting companies and local governments to disclose information on measures to combat environmental issues such as climate change countermeasures, water resource protection, and forest preservation, as requested by global institutional investors and major purchasing organizations strongly interested in environmental issues, and encouraging the implementation of said measures

Disclosure Based on TCFD Recommendations

Climate-Related Financial Information Disclosure Based on TCFD Recommendations

The Sodick Group discloses important information related to the issue of climate change based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

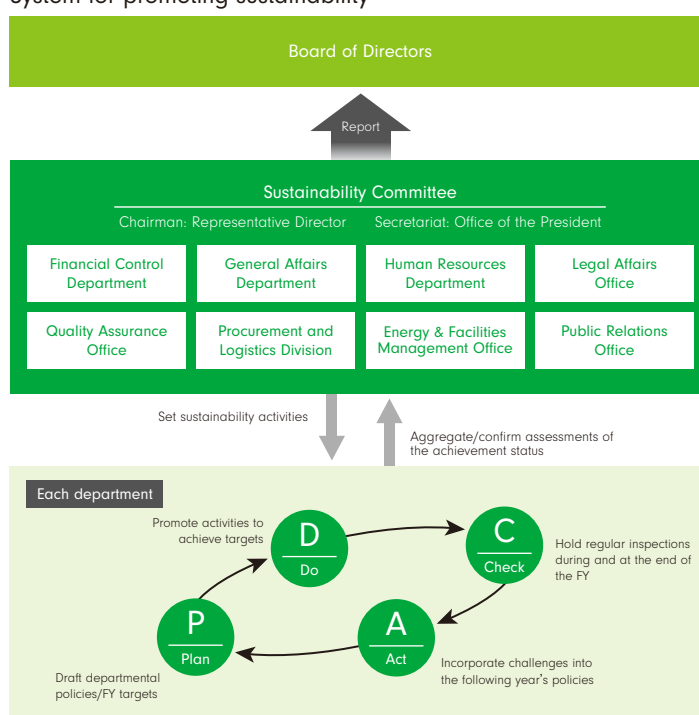


Governance

Sodick's philosophy is to provide the highest value to its customers and contribute to a sustainable society as a company that "Create Your Future" under the founding spirit of "Create," "Implement," and "Overcome Difficulties." We have established a Sustainability Committee chaired by the Representative Director to promote management based on the standpoint of sustainability, including "contributing to evolving manufacturing," "addressing environmental management," "promoting diversification of human resources," and "strengthening governance."

The committee meets four times per year to discuss climate change action as one of its important agenda items. It coordinates with each department to implement a PDCA cycle and promote long-term, systematic sustainability activities. Decisions are reported to the Board of Directors at least once a year. The details are then discussed as necessary and reflected in the management of the Group as a whole.

System for promoting sustainability



Risk Management

We have established a Risk Management Committee to manage risks related to our business. Climate change-related risks are integrated into Group-wide risk management, which is supervised by the Risk Management Committee. Subsidiaries and business divisions report risk information quarterly, and the identified risks are evaluated in terms of probability of occurrence and impact. For particularly significant risks, we consider policies and countermeasures, report them to the Board of Directors, deliberate them, and reflect them in our management strategies.

Metrics and Targets

We set greenhouse gas emissions (Scope 1 and 2) as metrics for evaluating and managing climate change risks and promotion of our environmental management. The target is to reduce emissions by 46% compared to 2017 by 2030. Furthermore, going forward, we will promote initiatives to reduce overall greenhouse gas emissions, including Scope 3, aiming to achieve carbon neutrality by 2050. In order to achieve our targets, we will actively promote the introduction of renewable energy, such as by installing and expanding solar power generation equipment at our facilities. We also engage in technological development to improve the environmental impact reduction performance of our products for society-wide decarbonization.

Strategy

We conducted scenario analysis to understand the impact of risks and opportunities arising from climate change.

Scenario Analysis Method

We conducted an analysis using the 1.5°C and 4°C scenarios to understand the impact of climate change on the business environment in 2030. The identified risks and opportunities were qualitatively assessed on a three-point scale of high, medium and low in terms of probability of occurrence and impact.

Scenario Analysis Results (Impact from the Transition to a Decarbonized Society)

Classification			Significance		Our initiatives
			4°C scenario	1.5°C scenario	
Risks	Policies and regulations	Introduction of carbon taxes and emissions trading	Medium	Medium	● Introduction of renewable energy (installation and expansion of solar power generation equipment) ● Development and sale of products that can contribute to reducing CO₂ emissions and an environmentally friendly society through ISO 14001 operations
		Energy conservation policies	Low	Medium	● Development and sale of products that can contribute to reducing CO₂ emissions and an environmentally friendly society through ISO 14001 operations
		Obligation for information disclosure	Low	Medium	● Tracking and disclosure of chemical substance content in products ● Establishment of system for managing hazardous chemical substances
	Market	Changes in energy costs	Low	Low	● Installation and expansion of solar power generation equipment
		Changes in raw material costs	Medium	Medium	● Development of special wire technology to help reduce consumables
		Changes in customer behavior	Low	Medium	● Development and sale of products that can contribute to reducing CO₂ emissions in each stage of the product life cycle and an environmentally friendly society through ISO 14001 operations
Opportunities	Policies and regulations	Energy conservation policies	Low	Medium	● Development of carbon-free/energy-saving products • Injection molding machines to manufacture light parts • Metal 3D printers to help shorten manufacturing processes • Rapid cooling equipment for granule powder that efficiently manages temperature
	Technology	Spread of renewable energy and energy-saving technologies	High	High	● Development of carbon-free/energy-saving products • Injection molding machines to manufacture light parts • Metal 3D printers to help shorten manufacturing processes
Physical risks	Acute	Intensification of abnormal weather	Low	Low	● Establishment of business continuity plan (BCP) ● Surveys on supplier BCPs

* Implemented a review of impact through comprehensive risk management (December 2024)

Social Initiatives

Human Capital Strategy

Human Capital and Diversity

The Sodick Group believes that human resources are an important source of capital for increasing corporate value over the medium to long term. We strive to create a work environment and corporate culture where all employees can grow together with the Company, respect each other's diversity as to gender, nationality, and career, and play active roles.

It is important to respect diverse perspectives and values in order to respond to changes in the business environment such as global business expansion, the development of new businesses that meet diverse market needs, and the creation of added value. On

the basis of the policies of "promoting unified human resource management," "continuing recruitment and promotion that emphasize diversity of human resources," and "creating a comfortable work environment and offering career support," we aim to encourage all employees to enhance their expertise and build their careers and personal networks through interactions with diverse human resources both in Japan and overseas. Moreover, for recruiting, we proactively employ people with different experiences, skills, and careers as we believe that the fusion of these human resources will become a source of new value creation.

KPIs and results related to human capital and diversity

Indicators	Targets	Results (FY2024)
Employee satisfaction score	Standard deviation score of 55 or higher by 2026	37
Percentage of female employees in management positions	5% by 2026	3.5%
Percentage of male employees taking parental leave	100% by 2027	76.7%

Increasing Employee Engagement

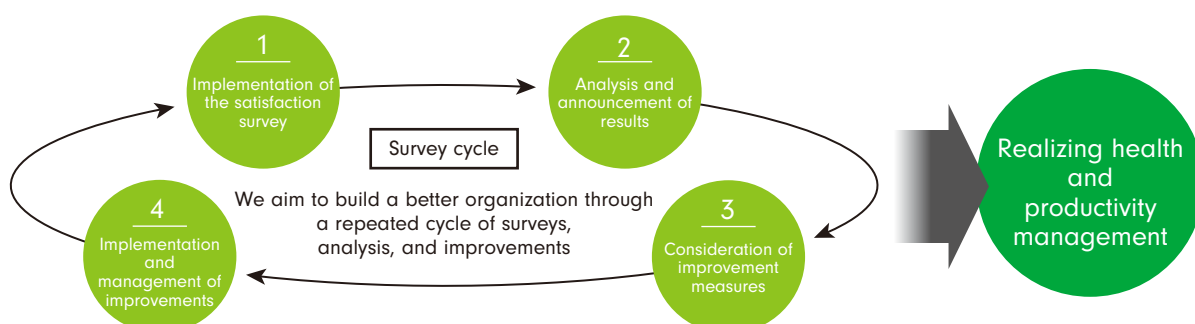
We actively promote improvements in the workplace environment and health advancement to enable every employee to remain physically and mentally well and continuously take on the challenge of achieving further growth.

We believe that maintaining the growth of the Company and its employees will increase motivation, leading to improved productivity and financial performance Company-wide. To identify current issues and drive improvement, we have been conducting employee satisfaction surveys since 2022 to assess the Company's present state and better understand what employees "expect" and "want." We identify issues from the survey results, consider and implement measures for improvement, and evaluate their effectiveness through the following year's survey, establishing a continuous improvement cycle. Through these efforts, we hope to encourage every employee to take deeper interest in the Company as an active participant, thereby creating a better organization and realizing health and productivity management.

Expected effects of increased engagement

Improved labor productivity	There is a positive correlation between the "engagement score" and "labor productivity." We believe that as the score increases, labor productivity will also increase.
Improved operating profit margin	There is also a positive correlation between the "engagement score" and "operating profit margin in the current fiscal year." We believe that as the score increases, the operating profit margin will also increase.
Decreased turnover rate	Organizations with a higher "engagement score" tend to have a lower "turnover rate." We believe that a higher score contributes to lower turnover rates especially among middle-level employees.
Improved customer satisfaction	We believe that a high "engagement score" will result in fewer late arrivals and early leavings, fewer accidents, fewer product shortages, and increased customer satisfaction.
Improved share price	We believe that as the "engagement score" improves, operating profit and ROE (return on equity) will also improve.

Utilization cycle of employee satisfaction surveys



Method of Using Employee Satisfaction Surveys

To raise engagement scores across the Company, we believe we must address both “hygiene factors (system and treatment, etc.)” that lead to dissatisfaction and “motivation factors (organizational climate, etc.)” that contribute to satisfaction. As a first step, we reviewed bonuses and implemented a significant wage increase in the second half of 2022. Although bonuses were reduced due to declining performance from the second half of 2023 through the first half of 2024, we plan to continue increasing base pay while improving revenues and have set a target of boosting the average annual salary of career-track employees to 1.5 times that of 2022 by 2034. With respect to “motivation factors,” our approach focuses on initiatives aimed at transforming our organizational climate.

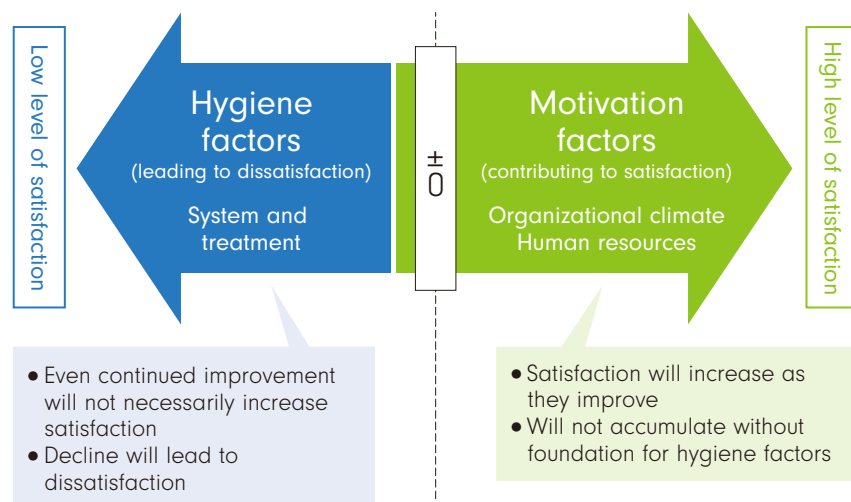
Moreover, increasing employees’ sense of

fulfillment is quite important in order to generate sustained innovation and continuously improve business performance. We recognize this as one of our top priorities. In 2024, we revised officer compensation and introduced a system in which employee satisfaction scores are linked to officer compensation.

Human Resource Development

To fulfill the Company’s philosophy of providing the highest value to customers and striving to contribute to a sustainable society as a company that “Create Your Future,” we must become a company where people can grow, as well as create opportunities for the growth for each and every employee. We will work toward this goal while upholding an educational philosophy of developing human resources who unite as “all challengers,” boldly anticipating and embracing future challenges.

Aiming for improvement based on two factors



Need to raise two factors in parallel

Source: Herzberg's two-factor (motivation-hygiene) theory

Management Refresher Training

In an era of rapid environmental changes, we conducted co-creative management training for department and section heads to help them solve problems quickly and accurately in unity with the field staff and team members.

We will continue working to modify our management style to match the needs of the times.



Promoting Diversification of Human Resources (Diversity & Inclusion)

Hiring Women and Promoting Their Advancement

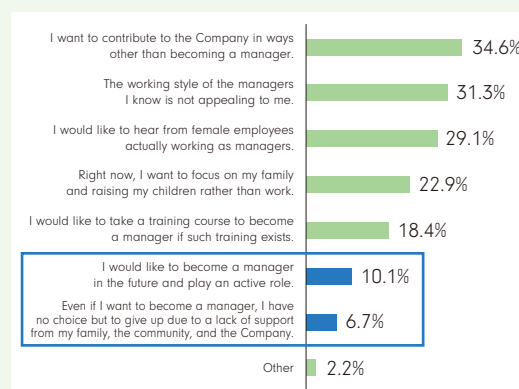
We believe that the active participation of women is important for respecting diverse perspectives and values. We are working to increase the number of female employees as well as the percentage of women in management positions. In 2023, we conducted a survey of all female employees regarding work environment and their future career goals in order to develop effective measures for further active participation by women. In this survey, only 10% of respondents answered that they would like to “become a manager in the future and play an active role.” From this fairly low result, we found that we need to encourage them to understand the work as a manager at the Company. At the same time, we understood that it is quite important to create an environment in which female employees can feel they “want to take on the challenge of management positions.”

Data on active participation by women

Indicators	Targets	FY2023 results	FY2024 results
Percentage of women in management positions	At least 5% (2026)	3.1%	3.5%
Percentage of women hired	At least 25% (FY2027)	28%	29%
Female employee turnover ratio	Within 3% (2027)	3.0%	7.6%

Increasing the number of female employees aiming for management positions

In response to the question “What do you think about the Company’s expectations for the active participation of women?” only 10% of respondents answered, “I would like to become a manager in the future and play an active role.” A few people answered, “Even if I want to become a manager, I have no choice but to give up because I do not have enough support from my family or the Company.” In response to these results, we will further strengthen measures to create a comfortable work environment and expand training for employees aiming for management positions. Moreover, the women’s working group and human resource development team will work together to raise skills of every female employee and provide them with opportunities to consider their own career advancement.



Conducted from September through October 2023. From a survey of all 213 female employees (excluding officers and temporary employees); response rate: 81.8%; number of respondents: 179; multiple choice

Health and Productivity Management, and Occupational Health and Safety

Promoting Health and Productivity Management

Under the “Sodick Health and Productivity Management Declaration,” we 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.

In April 2022, we established a new framework, led by the Representative Director as chief executive, that works in cooperation with our Safety and Health Committee, occupational health physician, and health insurance society.

Promotion structure



Major initiatives during FY2024

- Publishing health-related information (in-house newsletter/web portal)
- Offering specific health guidance and health seminars
- Implementing health promotion campaigns and events
- Improving attendance rates for cancer screening, etc. (providing medical checkups and PET cancer screenings for employees aged 40 and over)
- Conducting interviews and providing time management education for employees who work long hours
- Expanding systems related to work-life balance (encouraging male employees to take parental leave, etc.)

* Please also visit the Sodick website for more information on our initiatives in areas such as global human resource participation, occupational health and safety, industrial accident prevention, EAP (Employee Assistance Program), and mental health.

<https://www.sodick.co.jp/en/sustainability/society/index.html>

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 aside several days a year. Our aim is to create a virtuous cycle in which employees rest properly and return to work refreshed and motivated. To reduce overtime, meanwhile, we are promoting greater operational efficiency and using systems to ensure stricter labor time management.

We are also working to create an environment in which employees can balance work and child rearing, and are implementing reforms such as expanding the scope of those eligible for short working hours and encouraging male employees to take parental leave. Regarding encouraging male employees to take parental leave, we are promoting

the creation of an environment in which they can easily take leave through having interviews between the Human Resources Department and those eligible to take leave and providing information through the in-house newsletter. As a result, the number of male employees taking parental leave has increased.

Data on work flexibility

	FY2020	FY2021	FY2022	FY2023	FY2024
Average number of days of paid leave taken	11.5	11.6	14.1	13.3	13.0
Annual average overtime hours	250	296	299	253	244
Number of employees taking parental leave	Women	3	8	10	13
	Men	11	13	14	23
Number of employees working reduced hours	7	8	11	13	15

Human Rights and Compliance

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

All corporate officers 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).

Training for Human Rights and Compliance

We are working to create a harassment-free working environment by conducting harassment-related training and human rights and compliance training for all new employees to ensure comprehensive Company-wide awareness.

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 Hotline Desk

In principle, the Compliance Hotline Desk serves as the point of contact for reporting. In addition to compliance-related issues, it also provides consultation for harassment-related issues.

2. External point of contact

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

Supply Chain Initiatives

Procurement Policies and Guidelines

Suppliers of the Sodick Group

While our basic principle is local production for local use in Japan, Thailand, and China, where our production centers are located, we conduct procurement activities globally according to the characteristics of procurement items so that we can ensure stable procurement of parts and materials. We have established a Basic Procurement Policy and procure the most suitable parts based on relationships of mutual understanding and trust with our suppliers.

Supplier Selection Criteria

In addition to the quality, price, and stability of procurement items, we investigate suppliers to assess their technical level, production capacity, quality control status, and response to environmental improvement. We also select suppliers by examining their operational conditions, business continuity plans (BCP), compliance with laws and regulations, and responses to social issues.

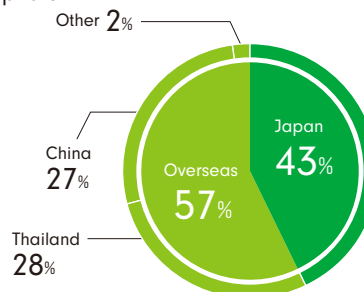
Conducting Supplier Surveys and Audits

We ask our suppliers to understand the Sodick Group's procurement policy. In addition to various surveys at the beginning of the business transaction, we require them to respond to various documents to realize environmentally friendly product manufacturing even after transactions. We conduct written evaluations of each company and ask key suppliers to cooperate with on-site audits.

Sustainable Procurement Guidelines

To contribute to the sustainable development of society, the Sodick Group works with its suppliers to promote sustainability throughout its supply chain. We have formulated the Sodick Sustainable Procurement Guidelines, based on the four categories of human rights and labor, compliance, the environment, and quality and safety. We ask suppliers to cooperate with our efforts to disseminate a sustainability mindset. We distributed the guidelines to our major suppliers in Japan and received the Confirmation of Acknowledgement from suppliers accounting for more than 90%. In 2024, we introduced a CSR Procurement Survey to monitor the sustainability initiatives of our suppliers. The questionnaire-based survey elicited a solid response rate of more than 70%. Through the survey, we will continue stepping up efforts to promote the Company's sustainability.

Number of suppliers
(FY2024)



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. Respect for human rights**
We strive to build a sustainable supply chain and a society that respects human rights.
- 4. Legal compliance and environmental protection**
Our procurement initiatives comply with national and regional laws and conserve and protect the environment.
- 5. 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.

Item	Details
Human rights and labor	● Prohibition of discrimination and human rights violations ● Prohibition of harassment ● Prohibition of forced labor ● Prohibition of child labor ● Appropriate payment of wages ● Working hours management ● Freedom of association ● Ensuring occupational health and safety ● Action on conflict minerals
Compliance	● Compliance with laws and regulations ● Corruption prevention ● Management of confidential information ● Compliance with the Unfair Competition Prevention Act ● Intellectual property protection ● Export control ● Whistleblower protection ● Information disclosure
Environment	● Reduction of greenhouse gas emissions ● Contribution to a recycling-based society ● Chemical substance management ● Prevention of air, water, soil pollution
Quality and safety	● Ensuring quality ● Ensuring safety

Together with Suppliers

Promoting Digital Transformation in Procurement Transactions

We are promoting digitalization of operations for order receipt, order placement, and billing operations by contacting with suppliers through Web-EDI (an online electronic data interchange system). We introduced the Sodick-EDI, a new Web-EDI system, in 2022 and have consolidated operations with suppliers for quotation requests, order receipt and order placement, delivery date adjustments, and billing operations on the Sodick-EDI. This system enables us and suppliers to manage transactions more easily than before. It also allows for more efficient and sophisticated operations for both suppliers and the Sodick Group.

Promoting Category Management

We manage procurement items by classifying them into procurement categories. We recognize that the procurement items including electrical components, functional components, machined components, and raw materials such as castings have a particularly large impact on our business. Based on these categories, we conduct an annual analysis of our procurement status and select the best suppliers globally.

Ensuring Supply Chain Resilience

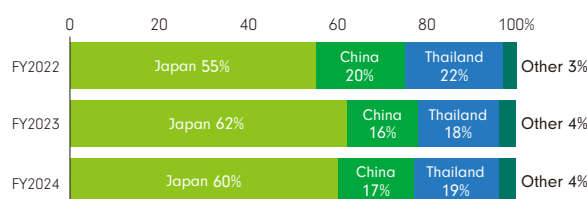
Diversifying and Reviewing Procurement Channels

The Sodick Group is working to disperse risks by securing multiple procurement channels in Japan and overseas for stable procurement of parts and materials. We respond to shortages in parts and materials supply through procuring distribution inventories and alternative products. We are also continuously reviewing procurement channels to cope with foreign exchange rate fluctuations, such as the yen's depreciation, and changes in production volume at each factory.

Conducting Surveys of Secondary Manufacturers

We are working to strengthen the resilience of our supply chain in light of the risks of natural disasters and other calamities and geopolitical risks around the world. We formulated Sodick Supply Chain Survey and conducted a supplier survey on important items with large procurement value. In addition to conducting surveys of primary manufacturers, we did surveys of secondary manufacturers that supply parts and materials to primary manufacturers in order to understand the situation across the entire supply chain. Based on the results, we will introduce measures including having multiple procurement channels and strengthen a resilient supply chain for quick response to changes in international circumstances.

Location of suppliers by country (procurement value basis)



BCP (Business Continuity Plan)

BCP Initiatives

We have established a system to grasp the situation and minimize the impact on business continuity when supply chain issues emerge from earthquakes or other large-scale natural disasters, pandemic outbreaks, or international conflicts, etc. We grasp the suppliers' BCP responses and provide support for improvements.

Conducting BCP Surveys

We conducted our first BCP survey in 2016 and did subsequent BCP surveys in 2020, 2022, and 2024. In 2024, the survey again attracted numerous responses. Going forward, we intend to survey suppliers every two years and to promote activities to raise awareness of BCP measures.

Sodick's Governance Reforms

At Sodick, strengthening corporate governance is one of our management materiality issues. We will further strengthen our corporate governance to enhance management transparency, impartiality, and speed.

Promoting Governance Reforms to Maximize Corporate Value

Given today's drastically changing management environment, an effective governance structure is indispensable. Sodick is working to support management by strengthening both offensive and defensive governance. We have accelerated the strengthening and reform of the governance structure in areas including ensuring diversity and improving the effectiveness of the Board of Directors, accelerating management decision-making, and addressing issues related to sustainability.

In 2024, we transitioned to a new management structure with stronger governance with the aim of steadily implementing the structural reforms set forth in the current medium-term management plan. First, we shortened the term of office of Directors from two years to one year in order to clarify the management responsibilities of Directors and to establish a management structure that can respond quickly to changes in the management environment. We also abolished the system of appointing Directors with special titles and separated the decision-making and supervisory function from the business execution function of management so as to clarify their roles. Furthermore, as part of moves to change the structure of the Board of Directors to one that is suitable for supervising the promotion of the medium-term management plan, we established a structure that enables us to steadily implement structural reforms and the new plan by creating a substantial monitoring Board of Directors, through efforts such as increasing the percentage of External Directors at the Board of Directors to a majority and changing

the Chairperson of the Advisory Committee on Personnel and the Committee on Compensation from the Representative Director to an External Director. Officer compensation is also being reviewed to tie it more closely to the medium-term management plan.

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 two 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 three persons)
2018	● Compliance with the revised Corporate Governance Code ● Addition of one External Director (total of four persons)
2019	● Election of a female Director
2020	● Review of number of members in Advisory Committee on Personnel and Committee on Compensation (two Internal Directors and three External Directors)
2021	● Election of a female Audit & Supervisory Board Member
2022	● Review of meeting bodies (establishment of a top management meeting and each division's management meeting)
2024	● Change of Chairperson of Advisory Committee on Personnel and Committee on Compensation from President and Representative Director to External Director ● Addition of one External Director (total of five persons) ● Addition of one female Audit & Supervisory Board Member (total of two persons)
2025	● Shift to a company with an Audit & Supervisory Committee

Shift to a Company with an Audit & Supervisory Committee in FY2025

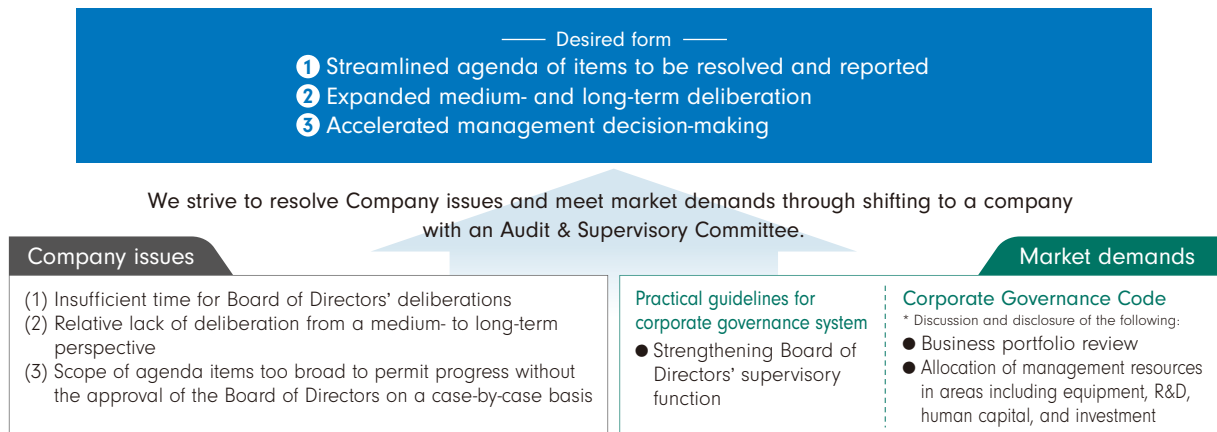
On March 28, 2025, the Company transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee in order to enhance corporate governance by strengthening the supervisory function of the Board of Directors and through enhancement of the monitoring system by having the members of the Board of Directors consist of the Audit & Supervisory Committee Members responsible for auditing the execution of duties by Directors.

We strengthened the monitoring function of the

Board of Directors, which serves as the decision-making function for management, by appointing seven of the 12 Directors as External Directors. We consider the objective, neutral monitoring of management from an external perspective to be important in corporate governance, and as such, believe that having an Audit & Supervisory Committee that consists of a majority of External Directors performing audits will enable us to establish a system in which the monitoring of management functions properly.



Desired form of governance structure



Strengthening Engagement with Shareholders and Investors

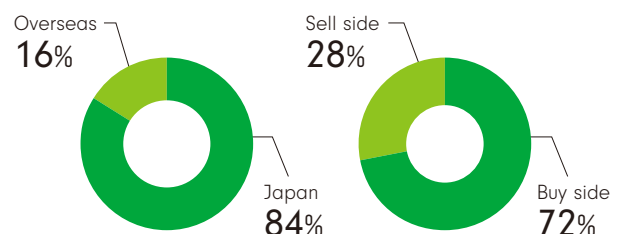
We regard all of our shareholders and investors as important stakeholders, and place importance on constructive dialogue to enhance corporate value. The department in charge of IR handles this dialogue with shareholders. In cases where shareholders have individual requests, we consider having Directors and others respond to them within reasonable limits by taking into consideration factors such as the purpose of the meeting and the importance of the topic. The opinions we receive from our shareholders and investors are reported to the Board of Directors and management meetings as needed, and are put to use for the future management of the Company. As for dialogue initiatives beyond individual meetings, in addition to the financial results briefings for institutional investors, which we hold twice a year, we held business briefings for the machine tool segment in 2022, the industrial machinery segment in 2023, and the food machinery segment in 2024. Since we view the General Meeting of Shareholders as a valuable and important opportunity for dialogue with shareholders, we set aside ample time for Q&A sessions and hold tours of our showroom after the meeting. For individual investors, we have set up a

dedicated page on our website to provide a concise overview of our business activities, performance, management policies, etc.

Status of dialogue (FY2024)

Activity details	Results	Main persons in charge
General Meeting of Shareholders	1 time	All Directors and Audit & Supervisory Board Members
Financial results briefing	2 times	CEO and CFO
Business briefing	1 time	CEO and executive officers
IR meetings	83 meetings	CEO, CFO, executive officers, and department in charge of IR
SR meetings	8 meetings	CEO, CFO, External Directors, and executive officers

Overview of shareholders and investors we met with



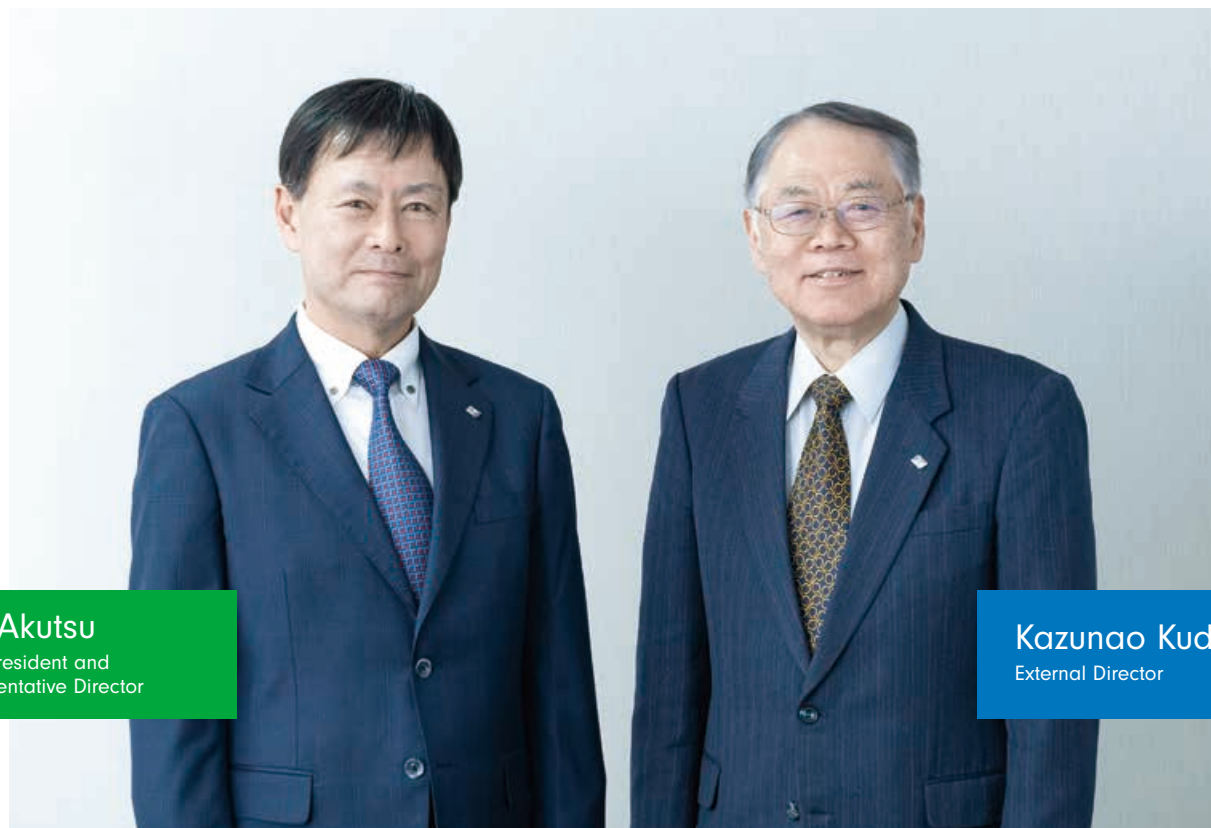
Key dialogue topics and matters of interest

- Economic and demand trends in Greater China
- Measures to strengthen after-sales services
- Progress of structural reforms
- Measures to improve PBR and their status

Matters incorporated based on dialogue

- Shortened the term of office of Directors from two years to one year
- Changed the Chairperson of the Advisory Committee on Personnel and the Committee on Compensation to an External Director
- Enhanced information disclosure in financial results briefing materials, etc.

Governance Dialogue



Yuji Akutsu
CEO, President and
Representative Director

Kazunao Kudo
External Director

New group management structure: Making 2025 the year of Sodick's revival

New structure:

Chairman Furukawa and President Akutsu driving Sodick forward together

Kudo: The Taika Reforms in Japan history of 645 AD was one of the major national political reforms of Japan's Asuka period. It led to major changes in the nation's political and social structure, including the introduction of a public-land civic system and the enactment of the Taiho Code. Interestingly, both 645 and 2025 share the same Chinese zodiac sign (*Isshi*, the Year of the Snake). This is just my personal view, but I believe 2025 will be a year of renewal for Sodick. In 2025, we are shaping a new organizational structure, and I believe that, much like in history, it will eventually lead us into a period of stability.

From the time Mr. Akutsu was appointed COO by the Advisory Committee on Personnel, I hoped that he would expand the Company's solutions and after-sales service businesses—which he helped develop in the United States—into Europe, as well as into emerging markets, such as India and Mexico. Under our new structure, I am confident that Mr. Akutsu, now President, will lead Sodick's global business as

the head of execution, while Chairman Furukawa will support overall management and focus on strengthening corporate governance. I envision the ideal management structure as the two of them working in tandem, driving the Group forward together.

Akutsu: Since joining Sodick in 1987, I have spent nearly 40 years working for a company I truly love. Now that I have been entrusted with such a major responsibility, I will approach management with a deep sense of commitment. I moved to the United States in my fourth year with the Company and spent a total of about 30 years doing business in North America; however, I still see Sodick as operating within the framework of a Japan-centric company. I intend to make Sodick as a truly global company. There are a wide variety of industries in the world, and manufacturing has a key presence in every aspect. Offering a wide range of machines and applications essential to manufacturing around the world and providing solid, reliable support—this is the next phase for Sodick. Since EDMs alone are not sufficient to support manufacturing around the world, we will expand our lineup of products such

as metal 3D printers, laser processing machines, and machining centers. What I want to achieve as President is simple, but executing it will require strong organizational capabilities. By moving quickly to reform our organizational structure and personnel system, I will focus on strengthening the overall power of our organization.

Kudo: I agree. I served as the head of a manufacturing company's subsidiary in China for about 14 years, and I can say that you will remain a Japanese company if you simply have a presence and generate profits locally. Unless you become a company run by local people, for the benefit of that country, you cannot truly call yourself a global enterprise.

The world is already changing —And Sodick must change as well

Kudo: Many people in Japan still believe that our country's technological capabilities are superior, but in reality, both China and the United States possess far more advanced technologies. To give just one example, Level 4 autonomous robo-taxis are already operating routinely without human drivers in China.

Akutsu: In the United States as well, unmanned taxis are already operating in several states, although the technology is not yet perfect. Japan is clearly lagging in software development, and I feel that this delay is making not just automobiles, but everyday life in general, less convenient.

Kudo: Chinese electric vehicles are not simply cars whose engines are replaced by batteries. They are vehicles you can drive and park remotely using a smartphone, without even touching the steering wheel. Inside, they offer comfortable living spaces that go beyond the traditional concept of a car. While a conventional car can still function if the automaker goes bankrupt, an electric vehicle could stop working if the company providing its applications fails.

While Sodick has made reducing its dependence on China a key part of its structural reforms, there is no denying that China remains a pivotal center of global technological innovation. We may no longer continue increasing unit sales as we have in the past, but with high-value-added products incorporating AI and other advanced technologies, I believe we can grow the sales amount even if unit sales remain flat—and thus steadily expand our market share. As the times are changing, Sodick must also move in a new direction. I have high expectations for President Akutsu to drive major reforms in our business.

Akutsu: I also believe that reforming the personnel system is essential. Seniority-based promotion is a structure unique to Japanese companies, but in today's world, very few people envision a career where they join a company straight out of school, rise step-by-step, and retire from the same company. In the United States, I introduced job-based hiring for positions requiring specific skills and experience, such as managers and software developers. In this model, factors like age, gender, or nationality are not

considered, and as a result, we have highly capable managers in their twenties and talented people of diverse nationalities who contribute immediately.

Kudo: Japanese companies focus too heavily on hiring highly educated university graduates, yet they constantly lament that their people are not developing. It is important to not only hire people with high academic credentials but also create an environment where individuals with emotional intelligence, empathy, and the ability to adapt to change can grow. I believe one reason Japanese companies have reached a standstill is because of challenges in developing their human resources.

Purpose of transitioning to a company with an Audit & Supervisory Committee

Akutsu: Transitioning to a company with an Audit & Supervisory Committee will enable us to speed up management decision-making. Previously, proposals were first discussed at the management meeting, then submitted to the Board of Directors for approval. Going forward, a certain level of decision-making can be done within the management meeting.

Meanwhile, the Board of Directors will separate its functions to focus more on overseeing management.

Kudo: For example, changes to internal policies, which are already properly discussed on the front lines, can be approved by the management meeting. By delegating more authority to the front lines, the Board of Directors can dedicate more time to forward-looking discussions about the Company's future. Discussions around cash allocation have already begun. The most important thing is to understand how much cash our businesses can generate and how we can strategically invest that cash to drive growth. I believe we need to have discussions based on a medium- to long-term perspective on the specific allocation of capital to shareholder returns, capital investments, R&D investments, and M&A activities.

When asked what corporate governance means to me, I would say simply "earnings power." It is about how we use our management resources to strengthen our earnings power and enhance corporate value. The much-discussed price book-value ratio (PBR), which is essentially the price earnings ratio (PER) multiplied by return on equity (ROE), reflects the market's expectations for a company's growth potential. It is our responsibility as directors to meet those expectations.

Sodick will celebrate its 50th anniversary in 2026. Under the leadership of Chairman Furukawa and President Akutsu, we aim to spend this year thoroughly preparing to embark on the next 50 years.

Akutsu: I believe we are truly at a turning point, moving from a human-driven era to one centered on AI, and Sodick must adapt its structure in line with these changing times. With this in mind, we are committed to remaining an essential player in global manufacturing for the next 50 years.

Corporate Governance

Basic Approach to Corporate Governance

Sodick's management philosophy is to contribute to the development of society by providing superior products and supporting customers' manufacturing operations based on our guiding spirit of "Create," "Implement," and "Overcome Difficulties." To achieve this, we believe that the most important element is to always conduct management that is transparent and

easy to understand for all stakeholders, including shareholders, investors, customers, and employees. We strive to make efficient use of our management resources, strengthen our risk management and compliance, and maximize corporate value for all of our shareholders and investors.

Corporate Governance Structure and Features

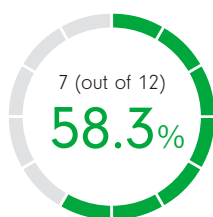
The Company has adopted a company with an Audit & Supervisory Committee in order to enhance corporate governance by strengthening the supervisory function of the Board of Directors and through enhancement of the monitoring system by having the members of the Board of Directors consist of the Audit & Supervisory Committee Members responsible for auditing the execution of duties by

Directors. The Board of Directors supervises the execution of duties by the Representative Directors, Directors, and executive officers by performing a supervisory function over management in general and carries out decision-making on important management issues, while the Audit & Supervisory Committee monitors business execution.

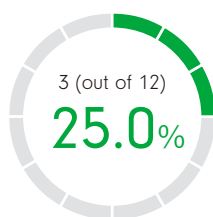
Strengthening Management Supervisory Functions

Seven of 12 Directors of the Company 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 four Audit & Supervisory Committee Members are External Directors, increasing the objectiveness and fairness of management supervision. Board of Directors meeting materials are provided in advance to ensure enough time for review. Particularly important matters that require a resolution by the Board of Directors are discussed in advance at management meetings. External Directors receive advance briefings from the Board of Directors Secretariat as necessary. This enables them to compensate any lack of internal information about the Board of Directors agenda, and exercise their management supervision functions.

Percentage of
External Directors



Percentage of
female Directors



Corporate Governance Structure

(as of end-March 2025)

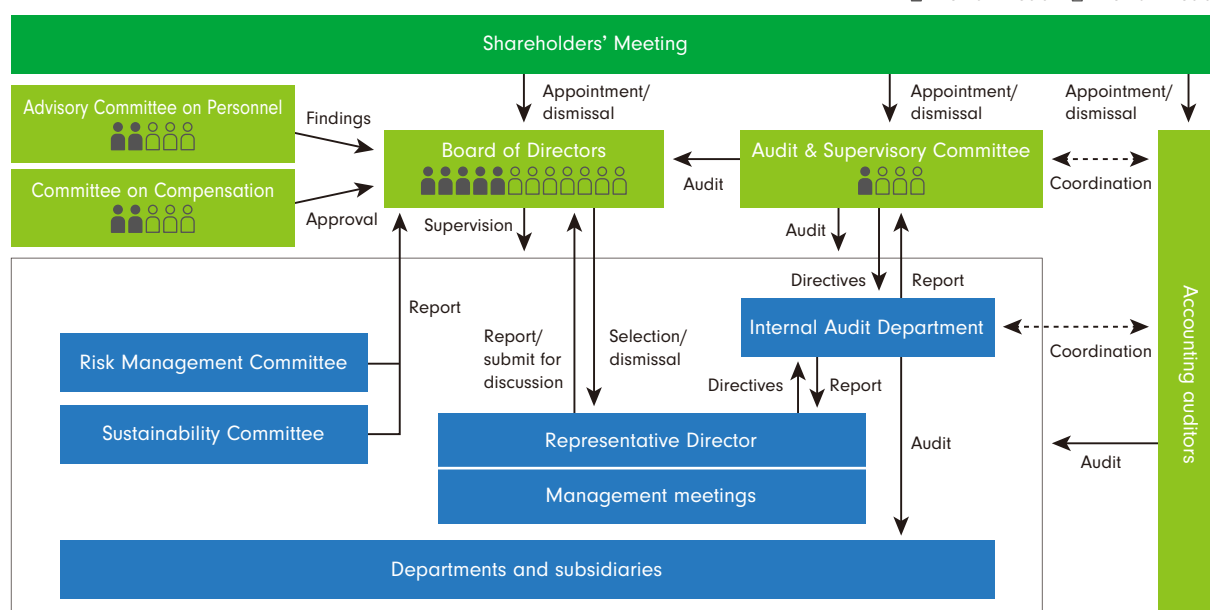
Organizational Structure	Company with an Audit & Supervisory Committee
Directors (Excluding Directors who are Audit & Supervisory Committee Members)	8 Directors* ¹ (of which 4 are External Directors) Chairperson of Board of Directors: Chairman and Representative Director
Directors who are Audit & Supervisory Committee Members	4 Directors* ² (of which 3 are External Directors)
Term of Office of Directors	Directors (excluding Directors who are Audit & Supervisory Committee Members): 1 year Directors who are Audit & Supervisory Committee Members: 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 (excluding Directors who are Audit & Supervisory Committee Members) shall be not more than nine.

*2 The Articles of Incorporation state that the number of Directors who are Audit & Supervisory Committee Members shall be not more than five.

*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 2025)

 Internal Director
  External Director


Board of Directors

- The 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 12 Directors (five Internal Directors and seven External Directors) who supervise management and make important management decisions.
- 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 gain broader and deeper understanding of the Company and to ensure effective management. 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 Committee

- The function of the Audit & Supervisory Committee 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 audits from full-time Audit & Supervisory Committee Members and the Internal Audit Department. In addition, it receives reports from Directors and accounting auditors on the state of execution of their duties, and requests explanations thereof as necessary.
- The Audit & Supervisory Committee is comprised of four Directors who are Audit & Supervisory Committee Members, three of whom are External Directors.

Advisory Committee on Personnel

The Advisory Committee on Personnel formulates appointment criteria and policies regarding personnel matters involving Directors and executive officers, selects candidates for those positions, and determines the standards for dismissal. This committee is comprised of five Directors, three of whom are External Directors, and chaired by an External Director.

Members	Chairman and Representative Director
	Kenichi Furukawa
	CEO, President and Representative Director
	Yuji Akutsu
	External Director
	Kazunao Kudo
	(Chairperson)
	External Director
	Kenzo Nonami
	External Director
	Yoshikazu Goto

Committee on Compensation

The Committee on Compensation formulates policy on compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) and executive officers, and deliberates and decides compensation standards, appraisals, and the monetary amounts of compensation. This committee is comprised of five Directors, three of whom are External Directors, and chaired by an External Director.

Members	Chairman and Representative Director
	Kenichi Furukawa
	CEO, President and Representative Director
	Yuji Akutsu
	External Director
	Kazunao Kudo
	(Chairperson)
	External Director
	Kenzo Nonami
	External Director
	Yoshikazu Goto

Evaluating the Effectiveness of the Board of Directors

In order to enhance the effectiveness of corporate governance, the Company conducts an annual self-evaluation regarding the execution of duties by all Directors to confirm that the Board of Directors is performing its professional duties appropriately.

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



Results for FY2024	
Overall effectiveness	● Using new meeting bodies to share information on the business environment ● Enhancement of matters for focused deliberation
External Officer	● Training for External Directors at external training organizations ● Establishment of a forum for discussions between External Directors and External Audit & Supervisory Board Members ● Factory tours for External Directors and External Audit & Supervisory Board Members
Future challenges	
Overall effectiveness	● Clarification of the roles of the Board of Directors and management meetings ● Improving the Board of Directors to accelerate management decision-making ● Deliberating targeted topics regularly ● Further improving operation of the new meeting bodies
External Officer	● Enhancing communication between External Directors ● Improving diversity and skill balance of External Directors

Matters for Focused Deliberation by the Board of Directors

The Company conducts training for Directors. It also takes up for focused deliberation the latest measures to be implemented and issues to be considered by the Board of Directors. In addition, we conduct

measures to help Directors deepen understanding of the Company and to enable more in-depth discussion. Following are recent matters for focused deliberation (topics):

2023

- Status and issues of capital policy
- Business risks and issues to be addressed
- Trends in the corporate governance structure
- Initiatives to improve the effectiveness of the Board of Directors
- Status of substantial shareholders
- Medium-term management plan

2024

- Business risks and issues to be addressed
- Internal audit status report
- Important points in export control and control status
- Intellectual property growth strategy
- Status of initiatives to adhere to the TCFD recommendations

Training for Directors

The Company implements the following measures in order to ensure that Directors are able to perform their functions and roles appropriately.

- (1) Directors take part in training provided by the Japan Association of Corporate Directors, the Japan Audit & Supervisory Board Members Association, and other organizations.
- (2) We give External Directors opportunities to participate in management meetings. We also arrange factory tours in the Kaga Factory, which is our key business site, to deepen their understanding of our business.

- (3) Other Directors and executive officers 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.

Executive officers are allowed to attend management meetings in order to cultivate successor personnel. In addition, we implement initiatives to develop management personnel through training for executive managers and drawing up long-term business strategies.

Succession Plan

Developing the Next-Generation Management Human Resources

Since 2021, the Advisory Committee on Personnel has been formulating and continuously discussing a succession plan.

As a policy for developing the next-generation management human resources, we choose candidates from each division based on past evaluation results, and develop executive managers through management experience at overseas subsidiaries and appropriate training to supplement their knowledge and skills, in order to enhance their management experience and management factors outside their specialty fields, thereby developing people who meet the standards for each position.

The requirements for the next-generation management human resources are:

- Qualities and judgment capabilities that contribute to increasing corporate value
- Global perspective and ethics
- Extensive work experience and knowledge as a business manager
- Impartiality, communication skills, and leadership
- Sensitivity to and understanding of risk

Based on these plans, we will select and develop candidates with diverse skills and abilities so that they can play a key role in the future of the Group.

CEO Requirements

The CEO selection requirements define the following criteria in addition to the requirements for next-generation management human resources listed on the left.

- | | |
|-----|---|
| 1. | Dignity, character, and strong leadership as top management |
| 2. | Strong attitude and decision-making capabilities to boldly tackle difficult challenges |
| 3. | Skills to implement growth strategies without being bound by past norms or practices, with a vision for transforming the organization for the ideal state |
| 4. | Skills to respond to changes in the management environment and to envision mid-to-long term global growth strategies |
| 5. | Enthusiasm and passion for manufacturing with a sense of mission |
| 6. | Commitment to fostering and promoting Sodick's culture based on our company motto of "Create, Implement, and Overcome Difficulties" |
| 7. | Skills to overcome risk and criticism, make bold, rational decisions, and take responsibility for decisions |
| 8. | Commitment to proactively developing and promoting personnel |
| 9. | Extensive management experience, achievements, and management skills (if selected from an external group of qualified individuals) |
| 10. | Commitment to enhancing corporate value through social contributions |

Policy for Determining Compensation for Directors, etc.

Basic Approach

Compensation for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) is based on a compensation system that is linked to shareholder profits, taking into consideration the management issues of sustainable growth and mid-to-long term corporate value enhancement. Compensation for each Director (excluding Director who is Audit & Supervisory Committee Member) is determined based on a compensation system that reflects appropriate results while taking company performance and his/her job responsibility into consideration.

The Committee on Compensation, which consists of a majority of External Directors, deliberates on the nature of the compensation system and the need for it to be reviewed from objective perspectives. The Board of Directors then makes decisions based on the recommendations of the Committee.

Compensation System

- 1) Regarding the Company's officer compensation, compensation for Executive Directors consists of basic compensation (fixed compensation) based on the compensation grade for their position and job responsibilities, short-term performance-related compensation consisting of a single year's performance reflection, and mid-to-long term incentive compensation based on stock compensation aimed at sharing interests in enhancing corporate value with shareholders. In principle, Non-Executive Directors (excluding External Directors and Directors who are Audit & Supervisory Committee Members) receive basic compensation and short-term performance-related compensation, while External Directors and Directors who are Audit & Supervisory Committee Members receive only basic compensation.
- 2) Regarding the compensation ratio by type of Executive Director, the higher the grade, the higher the amount of performance-related compensation. This is determined by using as benchmarks the compensation levels of companies that are similar to the Company in terms of business size, industry and business types.
- 3) The individual compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by the Committee on Compensation, and the individual compensation for Directors who are Audit & Supervisory Committee Members is determined through deliberations by the Audit & Supervisory Committee.

System for Short-Term Performance-Related Compensation

- 1) In order to raise awareness of performance improvement for each business year, short-term performance-related compensation is calculated based on profit attributable to owners of parent for the current fiscal year and compensation ratio by type. Once the performance for the current fiscal year has been finalized, the total amount of performance-related compensation is deliberated by the Committee on Compensation and paid as a lump sum in the form of a bonus within one month after its determination.
- 2) The reason for selecting profit attributable to owners of parent as a performance indicator is because we recognize that an increase in profit attributable to owners of parent will result in an increase in shareholders' equity, which will be a source of future dividends, and that this aligns with the intentions of shareholders.
- 3) We set targets for the medium-term management plan and increase profit attributable to owners of parent by achieving them.

System for Mid-to-Long Term Incentive Compensation

- 1) As an incentive for Directors to contribute to the enhancement of corporate value over the medium to long term, we provide Executive Directors with monetary compensation receivables according to their positions, and provide restricted stock compensation allocated from treasury shares according to the amount of the receivables.
- 2) The total amount of monetary compensation receivables is calculated based on two-year average EBITDA and single year's employee satisfaction survey (ES) scores.
- 3) The reason for selecting EBITDA as the total amount indicator of monetary compensation receivables is that it is not affected by decreases in profits due to an increase in depreciation associated with capital investments or an increase in interest rates. In this way, it is intended to encourage management that contributes to increasing mid-to-long term shareholder value. The reason for also selecting ES scores is because we believe that employee satisfaction should be directly linked to key management indicators such as sales and profits for the Company to grow in a sustainable manner.
- 4) Regarding restricted stock compensation, the number of shares allocated to each Director is determined by the Board of Directors based on the report from the Committee on Compensation.

Details for Officer Compensation (FY2024)

Officer category	Total compensation (million yen)	Total compensation by type (million yen)			Number of eligible officers
		Basic compensation	Short-term performance-related compensation	Mid-to-long term incentives	
Director (excluding External Director)	112	95	1	18	7
Audit & Supervisory Board Member (excluding External Audit & Supervisory Board Member)	32	32	—	—	3
External Officer	51	51	—	—	10
Total	195	178	1	18	20

Composition of Board of Directors and Audit & Supervisory Committee

The Company strives to increase corporate value over the medium to long term in order to provide the highest value to customers based on its philosophy of “Create,” “Implement,” and “Overcome Difficulties” and to contribute to a sustainable society as a company that “Create Your Future.” In this regard,

the Company considers a balance of knowledge, experience, and skills of the entire Board of Directors and appoints Directors with diverse backgrounds.

The Directors appointed based on this approach are as shown below.

Overview of Directors (as of end-March 2025)

Director	Status & Committees	Attendance (FY2024)		Fields of expertise that are particularly expected of Directors*					
		Board of Directors meetings	Audit & Supervisory Board meetings	Corporate Management	Finance and Accounting	Legal Affairs and Risk Management	Manufacturing, Technology, and R&D	Global	Marketing
Kenichi Furukawa	▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times		●	●	●		●	●
Yuji Akutsu	▲Advisory Committee on Personnel ★Committee on Compensation	10/10 times (Note 1)		●	●			●	●
Hideki Tsukamoto		13/13 times		●			●	●	
Masato Takagi		(Note 2)		●	●	●			●
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 ▲Advisory Committee on Personnel ★Committee on Compensation	13/13 times		●			●		
Ayako Sano	■External ◆Independent	9/10 times (Note 1)		●	●	●			
Director who is Audit & Supervisory Committee Member	Status & Committees	Attendance (FY2024)		Fields of expertise that are particularly expected of Directors*					
		Board of Directors meetings	Audit & Supervisory Board meetings	Corporate Management	Finance and Accounting	Legal Affairs and Risk Management	Manufacturing, Technology, and R&D	Global	Marketing
Tetsuro Kawahara		10/10 times (Note 3)	10/10 times (Note 3)	●	●				
Mari Otaki	■External ◆Independent	13/13 times	14/14 times		●	●			
Haruchika Gohara	■External ◆Independent	13/13 times	4/4 times (Note 4)		●	●			
Yukiko Omura	■External ◆Independent	10/10 times (Note 3)	10/10 times (Note 3)	●		●		●	

* 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: Director Yuji Akutsu and External Director Ayako Sano were elected at the Ordinary General Meeting of Shareholders held on March 28, 2024, and 10 Board of Directors meetings have been held since they assumed their posts.

Note 2: Director Masato Takagi was elected at the Ordinary General Meeting of Shareholders held on March 28, 2025; no activity applicable in FY2024.

Note 3: Director who is Audit & Supervisory Committee Member Tetsuro Kawahara and External Director who is Audit & Supervisory Committee Member Yukiko Omura were elected at the Ordinary General Meeting of Shareholders held on March 28, 2024, and 10 Board of Directors meetings and 10 Audit & Supervisory Board meetings have been held since they assumed their posts.

Note 4: Haruchika Gohara retired from the position of External Audit & Supervisory Board Member at the Ordinary General Meeting of Shareholders held on March 28, 2024, and four Audit & Supervisory Board meetings have been held as of that date. He was elected as an External Director who is Audit & Supervisory Committee Member at the Ordinary General Meeting of Shareholders held on March 28, 2025.

Reasons for Selection of Each Skill and Details

Skill category	Reasons for selection
Corporate management	In order to respond immediately to changes in the business environment, achieve sustainable growth, and increase corporate value, it is necessary to make swift management decisions.
Finance and accounting	In order to ensure accurate financial reporting, build a resilient financial structure, and realize growth investments that contribute to sustainable development and the enhancement of corporate value, knowledge and experience in finance and accounting are required.
Legal affairs and risk management	Legal affairs and risk management are a fundamental part of appropriate legal compliance and corporate structure. Therefore, experience and knowledge in this category are necessary.
Manufacturing, technology, and R&D	Knowledge and experience in cutting-edge technologies (including DX) related to the Company's business are necessary to continue providing world-class products and services.
Global	For the Company, which aims to have the world's largest market share, it is important to formulate growth strategies and supervise management of global businesses. Therefore, knowledge and experience in overseas business management are required.
Marketing	It is necessary to formulate and implement realistic and specific business and marketing strategies in order to realize corporate strategies and achieve committed management plans, etc.

Management Team (as of end-March 2025)



1 **Kenichi Furukawa**
Chairman and Representative Director

2 **Yuji Akutsu**
CEO, President and Representative Director

3 **Hideki Tsukamoto**
Director and Senior Managing Executive Officer

7 **Yoshikazu Goto**
External Director

8 **Ayako Sano**
External Director

9 **Tetsuro Kawahara**
Director and Audit & Supervisory Committee Member



4 Masato Takagi
Director and Managing Executive
Officer

5 Kazunao Kudo
External Director

6 Kenzo Nonami
External Director

10 Mari Otaki
External Director and Audit &
Supervisory Committee Member

11 Haruchika Gohara
External Director and Audit &
Supervisory Committee Member

12 Yukiko Omura
External Director and Audit &
Supervisory Committee Member

Please refer to our website for details. <https://www.sodick.co.jp/ir/pdf/06/49yuh.pdf>
(only available in Japanese)



Risk Management

Basic Approach

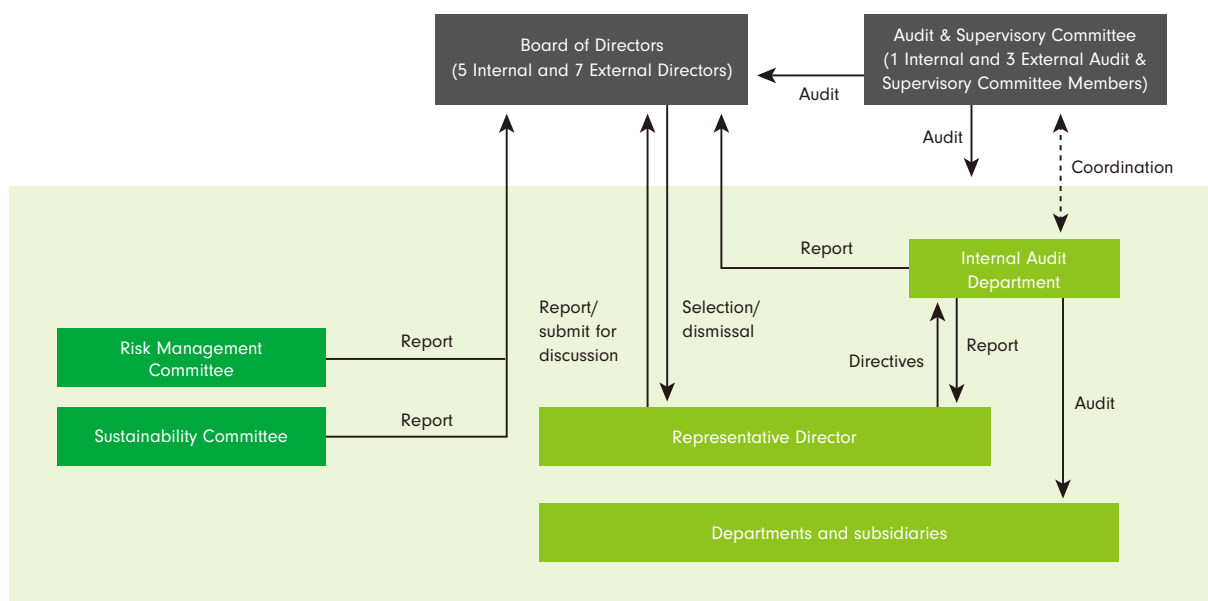
The Sodick Group has established basic rules for risk management, and works to determine, analyze, evaluate, and take appropriate measures to avoid the risks that exist at each division. At the same time, a Risk Management Committee has been established to formulate necessary preemptive response policies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

impact on management. The Committee also responds appropriately and as needed in the event a situation were to occur.

The Company 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.

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> ● 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 | <ul style="list-style-type: none"> ● Legal and regulatory risks ● Risks related to corporate social responsibility ● Risks related to the competitive environment ● Risks related to procurement of raw materials and parts | <ul style="list-style-type: none"> ● Risks related to interest-bearing debt ● Impairment risks related to non-current assets ● Construction cost estimation risks ● Information security risks ● Risks related to natural and other disasters |
|--|---|--|

Risk Management Structure (as of end-March 2025)



Risk Evaluation and Analysis

Once a quarter at the Risk Management Committee, we conduct risk investigation (which evaluates degree of impact and likelihood of occurrence) at each division of the Company and its subsidiaries. We evaluate and analyze risks judged particularly significant, then discuss measures against these risks, report to and discuss those measures at the Board meetings, and finally reflect them in our business strategies.

In 2024, topics discussed include responding to the Noto Peninsula Earthquake, reviewing the EU Cyber Resilience Act, and reporting on the status of reports made via the Compliance Hotline Desk.

Cybersecurity

We strive to strictly manage confidential business and technological information through appropriate IT technology measures, the establishment of internal systems, and employee training. In 2023, we conducted training on thoroughly preventing the use of unauthorized software, and in 2024, we had a third-party organization run a security diagnosis against unauthorized access.

Risks Related to Economic Fluctuations

Likelihood of occurrence: High

Degree of impact: Major

In addition to expanding the food machinery segment, which is relatively less affected by economic fluctuations, we are working to acquire new customers through the elemental technology. We are also building a business portfolio for stable financial performance regardless of product sales volume. We aim to achieve this through creating new businesses, expanding the sales of regular maintenance services and consumables, and providing solutions for automation and labor savings.

We are also carrying out ongoing cost reduction activities, reviewing suppliers, and incorporating the latest production technologies for automation and labor savings. We aim to build a production structure that can respond flexibly and efficiently to market changes.

Risks from Major Fluctuations in Foreign Exchange Rates

Likelihood of occurrence: High

Degree of impact: Major

The Group has continued to promote overseas manufacture of its major products and is working to create production and sales structures that limit the impact of exchange rate fluctuations on profit, with the offsetting effect of revenue and expenses. Nevertheless, given the challenging management environment under the recent depreciation of the yen, we have been reviewing our production structure to respond to exchange rate fluctuations from a medium- to long-term perspective, through efforts such as expanding domestic production.

We are also promoting measures to reduce the impact of exchange rate fluctuations, such as foreign exchange hedging by forward exchange contracts for major currencies like the U.S. dollar and the euro. We also carefully examine the situation of foreign currency-denominated commercial distribution and expand the scope of forward exchange contracts as necessary.

Risks at Overseas Businesses

Likelihood of occurrence: Medium

Degree of impact: Major

We have an internal system that can follow closely and respond flexibly to the global situation and legal and regulatory changes in the world. In the Chinese market in particular, we have a structure in place for sales in China to be covered by production in China. This enables us to reduce the effect of trade policies in China and other countries. We are also reviewing our production structure by consolidating production at the Amoy Factory in China.

We are using technical centers to strengthen our sales structures and customer support in Europe and the United States as we aim to expand our market share in the future. We are also reinforcing our sales structures in other regions where growth can be expected, including Southeast Asia, India, and Mexico, to reduce our dependence on China.

Risks Related to Corporate Social Responsibility

Likelihood of occurrence: Medium

Degree of impact: Medium

We have established a Sustainability Committee chaired by the Representative Director and are pursuing initiatives toward compliance, social contribution, human resources, quality management, and the environment. Along with the promotion of work style reform, we are striving to create comfortable working environments through setting the designation days to take paid leave and encouraging the reduction of overtime work. We also work on initiatives to enforce the Sodick Group Corporate Ethics Charter and Corporate Code of Conduct (Compliance Guidelines), establish a human rights and compliance reporting desk and an external reporting hotline, and provide harassment-prevention training.

Regarding the environmental initiative, we are proactively developing technologies that reduce the environmental impact at manufacturing sites, including the shift to EVs and lighter weight vehicles, reducing plastic, and decreasing food waste. We have also established a specialized department to promote initiatives including carbon neutrality and CO₂ emission reductions.

Risks Related to Procurement of Raw Materials and Parts

Likelihood of occurrence: High

Degree of impact: Major

Under our basic procurement policy, we create mutual relationships with our suppliers and procure optimal parts globally with appropriate standards for quality, price, and stability. To ensure stable procurement of parts and materials, we have secured multiple procurement channels and suppliers in Japan and overseas to diversify our procurement sources and address risks including shortages of parts and materials and soaring costs for materials and logistics. We are also regularly inspecting inventory and writing down book values to prevent inventory assets from becoming unusable or being held too long time.

We investigate suppliers' business continuity plans (BCPs). Based on the results, we diagnose, maintain, and update our BCPs.

Risks Related to Natural and Other Disasters

Likelihood of occurrence: Medium

Degree of impact: Major

The Group has formulated a Business Continuity Plan (BCP) to minimize damage and ensure business continuity. We have built a disaster-resistant production system by decentralizing production centers, and introduced a safety confirmation system to help speed up post-disaster recovery activities. We also have various types of insurance to cover financial losses caused by natural disasters.

Information Security Risks

Likelihood of occurrence: Medium

Degree of impact: Major

The Group strives to strictly manage confidential business and technological information through appropriate IT technology measures, establishment of internal systems, and employee training. In addition to thorough use of thin client as internal standard terminals, we have introduced comprehensive security management tools as a countermeasure against IT asset management, internal information leakage, cyberattacks, etc. To further strengthen our security system, we will also periodically carry out a vulnerability diagnosis, etc., using a third-party organization.

Risks Related to Securing and Developing Human Resources

Likelihood of occurrence: Medium

Degree of impact: Major

We proactively recruit skilled human resources to secure and develop engineers with highly specialized technical skills and human resources with excellent skills in management strategy and global organizational management. We also emphasize human resource development through systematic post-employment training, executive training, and position-specific training. We have identified "promoting diversification of human resources" as one of our materiality issues and are promoting a corporate culture in which diverse employees can actively work in comfort and with satisfaction. Furthermore, we believe that the physical and mental health of each employee is vital for the sustainable growth of the Company. We established the "Sodick Health and Productivity Management Declaration" to promote the improvement of the working environment and health promotion, as well as to secure and retain excellent human resources.

Ten-Year Financial Summary

	03/2016 FY	03/2017 FY	12/2017 FY	12/2018 FY
Business performance				
Net sales	65,146	61,812	65,604	82,716
Cost of sales	41,369	39,318	42,445	52,488
Gross profit	23,777	22,494	23,159	30,227
Selling, general and administrative expenses	17,424	17,257	15,669	20,338
Operating profit (loss)	6,353	5,236	7,490	9,888
Ordinary profit (loss)	5,719	4,620	7,910	9,619
Profit (loss) before income taxes	5,748	4,193	7,772	8,929
Profit (loss) attributable to owners of parent	4,167	3,644	5,736	6,462
R&D expenses	3,408	3,518	3,344	3,902
Capital investments	2,887	2,594	4,588	8,576
Depreciation	2,765	2,697	2,360	3,085
Financial status				
Total assets	99,722	109,271	121,815	119,555
Net assets	49,758	48,710	55,166	58,129
Interest-bearing debt	33,826	40,953	41,704	39,524
Cash flow				
Cash flows from operating activities	6,579	8,373	4,522	9,275
Cash flows from investing activities	(2,773)	(2,132)	(4,715)	(8,188)
Free cash flow	3,806	6,240	(193)	1,087
Cash flows from financing activities	(2,854)	3,134	(439)	(3,485)
Per-share indicators				
Earnings (loss) per share (EPS) (Yen/US\$* ¹)	82.82	76.91	122.15	137.58
Net assets per share (BPS) (Yen/US\$* ¹)	987.01	1,035.19	1,172.12	1,235.46
Dividends per share (Yen/US\$* ¹)	18.00	19.00	22.00	24.00
Key financial indicators				
Ratio of gross profit to net sales	36.5%	36.4%	35.3%	36.5%
Ratio of operating profit to net sales	9.8%	8.5%	11.4%	12.0%
Ratio of ordinary profit to net sales	8.8%	7.5%	12.1%	11.6%
Return on equity (ROE)* ²	8.4%	7.4%	11.1%	11.4%
Ratio of ordinary profit to total assets (ROA)* ³	5.6%	4.4%	6.8%	8.0%
Debt-to-equity ratio (D/E ratio)* ⁴ (times)	0.75	0.92	0.84	0.72
Equity ratio* ⁵	49.8%	44.5%	45.2%	48.5%
Dividend on equity ratio (DOE)* ⁶	2.0%	2.0%	2.1%	2.1%
Ratio of overseas sales	63.8%	62.7%	69.6%	65.8%
Average exchange rate over the period Yen/USD	120.15	108.34	111.69	110.44
Yen/EUR	132.60	118.74	128.55	130.35
Yen/CNY	19.21	16.32	16.62	16.71
Yen/THB	3.44	3.08	3.33	3.42
Other				
Number of employees (consolidated)	3,216	3,415	3,651	3,676

*1 US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

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

*3 Ratio of ordinary profit to total assets (ROA) = Ordinary profit/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 ratio (DOE) = Total dividends/Shareholders' equity

	12/2019 FY	12/2020 FY	12/2021 FY	12/2022 FY	12/2023 FY	Unit: million yen 12/2024 FY	Unit: US\$1,000* ¹ 12/2024 FY
	67,591	58,030	75,174	80,495	67,174	73,668	465,727
	45,421	39,779	49,461	53,670	47,892	49,599	313,565
	22,169	18,250	25,713	26,825	19,281	24,068	152,161
	18,747	16,397	18,899	21,011	22,100	21,837	138,056
	3,422	1,852	6,813	5,813	(2,819)	2,231	14,105
	3,558	2,046	8,588	8,275	(1,257)	3,627	22,930
	3,369	2,078	8,538	8,085	(2,433)	5,024	31,762
	2,002	1,346	6,591	6,021	(4,604)	4,115	26,019
	3,483	3,220	3,216	3,168	3,435	3,035	19,193
	6,561	2,448	3,451	4,681	6,009	2,759	17,444
	3,664	3,399	3,452	3,602	3,792	3,584	22,661
	114,647	116,117	134,866	138,433	134,066	144,993	916,638
	58,745	57,976	74,438	80,993	77,129	84,427	533,743
	38,637	41,385	33,741	32,666	37,328	38,326	242,296
	8,336	5,270	7,642	3,543	(14)	9,969	63,026
	(5,609)	(1,410)	(2,203)	(10,957)	(2,492)	(1,632)	(10,319)
	2,727	3,860	5,439	(7,413)	(2,507)	8,337	52,707
	(2,228)	1,665	(1,932)	(6,012)	1,421	(1,041)	(6,586)
	42.58	28.63	125.67	112.67	(90.29)	81.06	0.51
	1,247.06	1,230.53	1,376.33	1,548.28	1,519.02	1,668.55	10.55
	25.00	25.00	26.00	27.00	29.00	29.00	0.18
	32.8%	31.4%	34.2%	33.3%	28.7%	32.7%	
	5.1%	3.2%	9.1%	7.2%	(4.2%)	3.0%	
	5.3%	3.5%	11.4%	10.3%	(1.9%)	4.9%	
	3.4%	2.3%	10.0%	7.8%	(5.8%)	5.1%	
	3.0%	1.8%	6.8%	6.1%	(0.9%)	2.6%	
	0.69	0.74	0.49	0.46	0.59	0.58	
	51.2%	49.9%	55.2%	58.5%	57.5%	58.2%	
	2.1%	2.1%	2.3%	2.1%	2.2%	2.3%	
	62.0%	66.0%	70.8%	69.4%	67.1%	68.3%	
	109.03	106.76	109.90	131.62	140.67	151.69	
	122.03	121.88	129.91	138.14	152.11	164.05	
	15.77	15.48	17.01	19.45	19.81	21.01	
	3.52	3.42	3.44	3.75	4.04	4.30	
	3,579	3,633	3,683	3,746	3,562	3,417	

* 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*
	12/2023 FY	12/2024 FY	12/2024 FY
Assets			
Current assets			
Cash and deposits	¥ 34,621	¥ 47,762	\$ 301,947
Notes and accounts receivable-trade, and contract assets	14,692	16,969	107,278
Electronically recorded monetary claims-operating	1,312	2,220	14,038
Merchandise and finished goods	11,529	11,102	70,190
Work in process	9,444	9,641	60,952
Raw materials and supplies	11,423	10,879	68,782
Other	3,632	3,328	21,040
Allowance for doubtful accounts	(485)	(381)	(2,412)
Total current assets	86,170	101,522	641,816
Non-current assets			
Property, plant and equipment			
Buildings and structures	35,111	37,070	234,359
Machinery, equipment and vehicles	24,840	25,670	162,288
Tools, furniture and fixtures	4,807	5,021	31,743
Land	8,622	8,367	52,898
Leased assets	3,235	3,187	20,153
Construction in progress	266	661	4,181
Accumulated depreciation	(43,939)	(47,740)	(301,813)
Total property, plant and equipment	32,944	32,238	203,809
Intangible assets			
Goodwill	799	714	4,519
Other	1,855	1,505	9,518
Total intangible assets	2,654	2,220	14,036
Investments and other assets			
Investment securities	5,480	6,657	42,087
Long-term loans receivable	28	0	3
Deferred tax assets	783	858	5,429
Long-term time deposits	4,583	—	—
Other	1,463	1,523	9,630
Allowance for doubtful accounts	(43)	(27)	(172)
Total investments and other assets	12,296	9,012	56,977
Total non-current assets	47,895	43,471	274,823
Total Assets	¥ 134,066	¥ 144,993	\$ 916,638

* US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

		Unit: million yen	Unit: US\$1,000*
	12/2023 FY	12/2024 FY	12/2024 FY
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥ 4,185	¥ 5,574	\$ 35,244
Electronically recorded obligations-operating	4,964	6,040	38,189
Short-term borrowings	3,045	4,245	26,838
Current portion of bonds payable	140	140	885
Current portion of long-term borrowings	8,649	8,645	54,657
Accounts payable-other	1,306	1,498	9,474
Income taxes payable	364	475	3,006
Contract liabilities	3,296	3,855	24,375
Provision for product warranties	331	498	3,153
Provision for quality assurance	3	3	22
Provision for bonuses	1,051	588	3,722
Other	3,469	2,872	18,161
Total current liabilities	30,808	34,440	217,727
Non-current liabilities			
Bonds payable	300	160	1,012
Long-term borrowings	23,829	23,963	151,494
Provision for retirement benefits for directors (and other officers)	11	—	—
Provision for product warranties	73	98	623
Retirement benefit liability	613	746	4,717
Asset retirement obligations	67	69	436
Other	1,233	1,089	6,887
Total non-current liabilities	26,128	26,126	165,168
Total Liabilities	56,936	60,566	382,895
Net Assets			
Shareholders' equity			
Share capital	24,618	24,618	155,638
Capital surplus	9,717	9,717	61,436
Retained earnings	32,257	34,888	220,559
Treasury shares	(3,010)	(3,134)	(19,816)
Total shareholders' equity	63,583	66,090	417,817
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,397	1,366	8,637
Foreign currency translation adjustment	12,125	16,842	106,476
Remeasurements of defined benefit plans	(30)	78	495
Total accumulated other comprehensive income	13,491	18,286	115,608
Non-controlling interests	53	50	318
Total Net Assets	77,129	84,427	533,743
Total Liabilities and Net Assets	¥ 134,066	¥ 144,993	\$ 916,638

Consolidated Statements of Income

		Unit: million yen	Unit: US\$1,000*
	12/2023 FY	12/2024 FY	12/2024 FY
Net sales	¥ 67,174	¥ 73,668	\$ 465,727
Cost of sales	47,892	49,599	313,565
Gross profit	19,281	24,068	152,161
Selling, general and administrative expenses			
Personnel expenses	9,874	9,576	60,545
Provision of allowance for doubtful accounts	118	(131)	(829)
Amortization of goodwill	152	125	790
Research and development expenses	2,158	2,275	14,388
Other	9,795	9,990	63,161
Total selling, general and administrative expenses	22,100	21,837	138,056
Operating profit (loss)	(2,819)	2,231	14,105
Non-operating income			
Interest income	479	512	3,241
Dividends income	147	263	1,669
Foreign exchange gains	729	812	5,137
Share of profit of entities accounted for using equity method	178	102	649
Subsidy income	190	106	674
Gain on sale of scraps	32	31	198
Other	248	348	2,202
Total non-operating income	2,007	2,178	13,770
Non-operating expenses			
Interest expenses	317	416	2,631
Provision of allowance for doubtful accounts	1	3	22
Rental expenses on non-current assets	48	58	367
Commission for syndicated loans	18	191	1,207
Other	61	113	716
Total non-operating expenses	446	782	4,945
Ordinary profit (loss)	(1,257)	3,627	22,930
Extraordinary income			
Gain on sale of non-current assets	33	119	758
Gain on sale of investment securities	–	563	3,565
Gain on liquidation of subsidiaries and associates	–	299	1,893
Compensation for forced relocation	7	1,699	10,743
Other	–	28	179
Total extraordinary income	41	2,711	17,139
Extraordinary losses			
Loss on sale of non-current assets	45	10	67
Loss on retirement of non-current assets	99	152	966
Impairment losses	1,035	88	559
Business restructuring expenses	–	986	6,239
Other	35	75	476
Total extraordinary losses	1,216	1,314	8,307
Profit (loss) before income taxes	(2,433)	5,024	31,762
Income taxes – current	1,343	1,110	7,019
Income taxes – deferred	836	(194)	(1,228)
Total income taxes	2,179	915	5,790
Profit (loss)	(4,613)	4,108	25,971
Loss attributable to non-controlling interests	(8)	(7)	(48)
Profit (loss) attributable to owners of parent	¥ (4,604)	¥ 4,115	\$ 26,019

* US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

Consolidated Statements of Comprehensive Income

		Unit: million yen	Unit: US\$1,000*
	12/2023 FY	12/2024 FY	12/2024 FY
Profit (loss)	¥ (4,613)	¥ 4,108	\$ 25,971
Other comprehensive income			
Valuation difference on available-for-sale securities	366	(30)	(196)
Foreign currency translation adjustment	2,956	4,596	29,057
Remeasurements of defined benefit plans, net of tax	89	109	690
Share of other comprehensive income of entities accounted for using equity method	56	124	790
Total other comprehensive income	3,469	4,799	30,342
Comprehensive income	(1,143)	8,907	56,313
(Comprehensive income attributable to)			
owners of parent	(1,137)	8,910	56,334
non-controlling interests	¥ (5)	¥ (3)	\$ (21)

* US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

Consolidated Statements of Changes in Equity

Unit: million yen

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
12/2023 FY (from January 1, 2023 to December 31, 2023)											
Balance at beginning of period	¥24,618	¥9,717	¥40,312	¥(3,739)	¥70,909	¥1,030	¥9,114	¥(120)	¥10,024	¥59	¥80,993
Changes during period											
Dividends of surplus	-	-	(1,442)	-	(1,442)	-	-	-	-	-	(1,442)
Reserves for employee incentive benefit funds at overseas subsidiaries	-	-	(36)	-	(36)	-	-	-	-	-	(36)
Loss attributable to owners of parent	-	-	(4,604)	-	(4,604)	-	-	-	-	-	(4,604)
Change in scope of consolidation	-	-	(114)	-	(114)	-	-	-	-	-	(114)
Purchase of treasury shares	-	-	-	(1,203)	(1,203)	-	-	-	-	-	(1,203)
Disposal of treasury shares	-	-	-	75	75	-	-	-	-	-	75
Cancellation of treasury shares	-	(0)	(1,856)	1,857	-	-	-	-	-	-	-
Restricted share-based remuneration	-	0	-	-	0	-	-	-	-	-	0
Net changes of items other than shareholders' equity during period	-	-	-	-	-	366	3,010	89	3,467	(5)	3,461
Total changes during period	-	-	(8,055)	729	(7,325)	366	3,010	89	3,467	(5)	(3,864)
Balance at end of period	24,618	9,717	32,257	(3,010)	63,583	1,397	12,125	(30)	13,491	53	77,129
12/2024 FY (from January 1, 2024 to December 31, 2024)											
Balance at beginning of period	24,618	9,717	32,257	(3,010)	63,583	1,397	12,125	(30)	13,491	53	77,129
Changes during period											
Dividends of surplus	-	-	(1,472)	-	(1,472)	-	-	-	-	-	(1,472)
Reserves for employee incentive benefit funds at overseas subsidiaries	-	-	(11)	-	(11)	-	-	-	-	-	(11)
Profit attributable to owners of parent	-	-	4,115	-	4,115	-	-	-	-	-	4,115
Purchase of treasury shares	-	-	-	(178)	(178)	-	-	-	-	-	(178)
Disposal of treasury shares	-	-	-	53	53	-	-	-	-	-	53
Transfer from retained earnings to capital surplus	-	0	(0)	-	-	-	-	-	-	-	-
Restricted share-based remuneration	-	(0)	-	-	(0)	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity during period	-	-	-	-	-	(30)	4,717	109	4,795	(3)	4,791
Total changes during period	-	-	2,630	(124)	2,506	(30)	4,717	109	4,795	(3)	7,298
Balance at end of period	¥24,618	¥9,717	¥34,888	¥(3,134)	¥66,090	¥1,366	¥16,842	¥78	¥18,286	¥50	¥84,427

Unit: US\$1,000*

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
12/2024 FY (from January 1, 2024 to December 31, 2024)											
Balance at beginning of period	\$155,638	\$61,436	\$203,929	\$(19,030)	\$401,972	\$8,833	\$76,655	\$(196)	\$85,293	\$339	\$487,604
Changes during period											
Dividends of surplus			(9,309)		(9,309)						(9,309)
Reserves for employee incentive benefit funds at overseas subsidiaries			(74)		(74)						(74)
Profit attributable to owners of parent			26,019		26,019						26,019
Purchase of treasury shares				(1,127)	(1,127)						(1,127)
Disposal of treasury shares				341	341						341
Transfer from retained earnings to capital surplus		6	(6)		—						—
Restricted share-based remuneration		(6)			(6)						(6)
Net changes of items other than shareholders' equity during period						(196)	29,821	690	30,316	(21)	30,294
Total changes during period	—	—	16,630	(786)	15,845	(196)	29,821	690	30,316	(21)	46,139
Balance at end of period	\$155,638	\$61,436	\$220,559	\$(19,816)	\$417,817	\$8,637	\$106,476	\$495	\$115,608	\$318	\$533,743

* US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

Consolidated Statements of Cash Flows

		Unit: million yen	Unit: US\$1,000*
	12/2023 FY	12/2024 FY	12/2024 FY
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (2,433)	¥ 5,024	\$ 31,762
Depreciation	3,792	3,584	22,661
Amortization of goodwill	152	125	790
Increase (decrease) in retirement benefit liability	(6)	181	1,146
Commission for syndicated loans	18	191	1,207
Increase (decrease) in provision for bonuses	(165)	(467)	(2,958)
Increase (decrease) in allowance for doubtful accounts	116	(145)	(921)
Interest and dividend income	(627)	(776)	(4,910)
Interest expenses	317	416	2,631
Share of loss (profit) of entities accounted for using equity method	(178)	(102)	(649)
Foreign exchange losses (gains)	(230)	(92)	(585)
Loss (gain) on sale of investment securities	—	(561)	(3,552)
Loss (gain) on sale and retirement of non-current assets	111	42	271
Business restructuring expenses	—	986	6,239
Impairment losses	1,035	88	559
Decrease (increase) in trade receivables	2,800	(2,587)	(16,361)
Decrease (increase) in inventories	2,928	2,648	16,745
Increase (decrease) in trade payables	(3,020)	2,265	14,320
Increase (decrease) in accounts payable-other	(365)	116	735
Increase (decrease) in advances received	(112)	(108)	(684)
Increase (decrease) in accrued consumption taxes	188	557	3,526
Increase (decrease) in contract liabilities	(1,268)	412	2,608
Decrease (increase) in advance payments to suppliers	(159)	92	587
Compensation for forced relocation	(7)	(1,699)	(10,743)
Loss (gain) on liquidation of subsidiaries and associates	—	(299)	(1,893)
Other	(1,129)	(793)	(5,018)
Subtotal	1,757	9,097	57,515
Interest and dividends received	472	651	4,120
Interest paid	(317)	(409)	(2,591)
Proceeds from compensation for forced relocation	7	1,699	10,743
Income taxes refund (paid)	(1,934)	(1,069)	(6,760)
Net cash provided by (used in) operating activities	(14)	9,969	63,026
Cash flows from investing activities			
Payments into time deposits	(697)	(199)	(1,259)
Proceeds from withdrawal of time deposits	2,705	1,388	8,779
Purchase of property, plant and equipment	(4,302)	(2,763)	(17,474)
Proceeds from sale of property, plant and equipment	679	148	937
Purchase of intangible assets	(1,023)	(363)	(2,298)
Purchase of investment securities	—	(480)	(3,039)
Proceeds from sale of investment securities	—	828	5,241
Purchase of shares of subsidiaries and associates	(202)	(599)	(3,793)
Proceeds from liquidation of subsidiaries and associates	—	369	2,338
Loan advances	(50)	—	—
Proceeds from collection of loans receivable	0	105	668
Other	399	(66)	(420)
Net cash provided by (used in) investing activities	(2,492)	(1,632)	(10,319)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	1,161	1,144	7,234
Proceeds from long-term borrowings	12,500	9,405	59,464
Repayments of long-term borrowings	(8,985)	(9,291)	(58,743)
Redemption of bonds	(140)	(140)	(885)
Repayments of finance lease liabilities	(469)	(297)	(1,883)
Purchase of treasury shares	(1,201)	(178)	(1,127)
Dividends paid	(1,442)	(1,472)	(9,309)
Payments of commission for syndicated loans	(18)	(191)	(1,207)
Other	17	(20)	(130)
Net cash provided by (used in) financing activities	1,421	(1,041)	(6,586)
Effect of exchange rate change on cash and cash equivalents	1,501	1,968	12,445
Net increase (decrease) in cash and cash equivalents	415	9,263	58,566
Cash and cash equivalents at the beginning of period	33,158	33,305	210,553
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(269)	—	—
Cash and cash equivalents at the end of period	¥ 33,305	¥ 42,569	\$ 269,118

* US\$ amounts are converted at the rate of US\$1 = 158.18 yen observed in trading in the Tokyo foreign currency market as of December 31, 2024.

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: 54,792,239

Total number of shareholders: 16,114

Number of employees: 1,180 (3,417 consolidated)

Fiscal year: January 1 – December 31

Annual shareholders' meeting: March

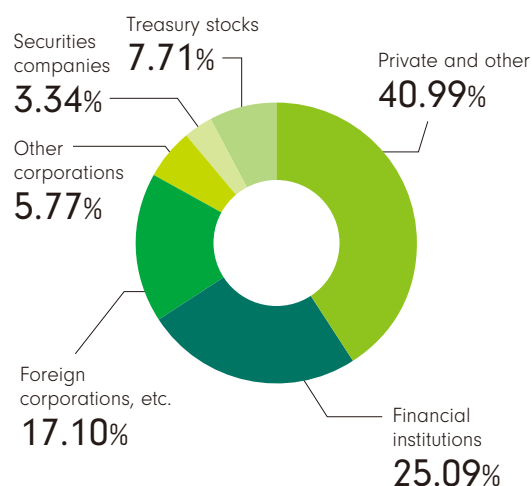
Administrator of the shareholder register:

Sumitomo Mitsui Trust Bank, Limited
2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063
Phone: 0120-782-031
(toll-free within Japan only)

Major Shareholders

	No. of shares (shares)	Percent ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,168,900	13.08
Sodick Co., Ltd.	4,223,169	7.71
Custody Bank of Japan, Ltd. (trust account)	2,721,100	4.97
Kiyoshi Morita	1,190,070	2.17
Sodick Business Partner Stock Ownership Association	993,600	1.81
Sodick Employee Stock Ownership Association	930,601	1.70
TF Co., Ltd.	895,000	1.63
Sumitomo Mitsui Banking Corporation	850,000	1.55
Kenichi Furukawa	839,901	1.53
Hiroko Furukawa	800,000	1.46

Share Distribution by Holder



Sodick IR Site



For more information, please refer to our IR site.

● **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.



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



Sodick's PR character
TF-1

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.

Group Network



1 Sodick Head Office/
Research and
Technology Center



2 Sodick
Kaga Factory



3 Sodick
Fukui Office



4 Sodick F.T
Miyazaki Factory



5 Sodick America
Corporation (San Jose)



6 Shanghai Sodick
Software Co., Ltd.



7 Suzhou Sodick Special
Equipment Co., Ltd.



8 Sodick Amoy
Co., Ltd.



9 Sodick (Thailand)
Co., Ltd.



10 Sodick, Inc. (Chicago)

11 Sodick Europe Ltd. (U.K.)

12 Sodick Deutschland GmbH
(Germany)

13 Sodick Electromechanical
(Shanghai) Co., Ltd.

14 Sodick Tom (Shanghai) Co., Ltd.

15 Sodick (Taiwan) Co., Ltd.

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

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

18 Sodick Korea Co., Ltd.

19 Sodick Vietnam Co., Ltd.

20 Sodick Philippines Inc.

21 PT Sodick Technology Indonesia

22 Sodick Singapore Pte., Ltd.

23 Sodick Technology (M) Sdn Bhd.

24 Sodick Technologies India Pte., Ltd.

25 SODICK TECHNOLOGIA MEXICO,
S.A. DE C.V.



On the Publication of Sodick Integrated Report 2024

Masato Takagi

Director and Managing Executive Officer

Since 2023, Sodick has been actively pursuing structural reforms focused on three key areas—management infrastructure, earnings structure, and competitive advantage—to achieve the targets of its medium-term management plan. In 2025, we established a new management and execution structure to further accelerate these reforms. We also transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee, aiming to separate the execution and supervisory functions, delegate greater authority to executives, and accelerate management decision-making.

Throughout this reform process, we have actively engaged in dialogue with a wide range of stakeholders, including shareholders and investors. By confronting the challenges within our organization, we have swiftly implemented measures that contribute to strengthen our corporate capabilities and enhance corporate value.

This report was prepared to provide readers with a deeper understanding of our value creation story as we seek to achieve our medium- and long-term vision of “Contributing to create a sustainable society through manufacturing.” In particular, the pages covering “Examples of Creating Value” and “Strategy/Business Model” introduce our thoughts and policies about the transformation of our management infrastructure and earnings structure and the enhancement of the competitive advantage that we are currently emphasizing.

This report includes pages with basic information, financial data, and environmental, social, and governance (ESG) material based on major guidelines. The Office of the President of the Corporate Division and Public Relations Office had a responsibility and made this report as editorial office with the cooperation of various sections including the machine tools, industrial machinery, and food machinery divisions, the Production Management Division, the Human Resources Department, the General Affairs Department, the Energy & Facilities Management Office, Sodick F.T Co., Ltd., and Sodick, Inc., in planning and publishing the report. To disclose accurately the actual corporate activities, the executive team was directly involved in its content pertaining to areas including recognized risks and opportunities in the business environment, organizational strategy, governance, business results and forecasts, and policies for materiality and sustainability. I hereby make it clear that the report production process and the information contained in this report are valid.

Please refer to the Sodick corporate website (<https://www.sodick.co.jp/en/>) for detailed information in addition to that contained in this report. I also ask for the candid opinions of stakeholders as you gain an understanding of our management and corporate activities by reading this report and visiting our website.



Sodick Co., Ltd.

3-12-1, Nakamachidai, Tsuzuki-ku,
Yokohama, Kanagawa, 224-8522 Japan
Phone: +81-45-942-3111

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