Results for the Fiscal Year ended December 2023

Q. What was the cause of the full-year results for fiscal year ended December 2023 falling short of the plan revised in 3Q? Have unexpected costs been incurred?

A. There are two main factors.
First, because the machine tool segment in 3Q showed a recovery trend, we assumed that the demand would recover in 4Q, but results were lower than expected. Second, temporary costs (optimization of personnel at overseas plants, loss on abandonment of inventories, etc.) were incurred due to structural reforms.

Q. Was the low number of EDM orders in Greater China in the fiscal year ended December 2023 due to the structural reforms? Or is it due to the market slump?

A. The decline in the orders was mainly due to the deterioration of market conditions in Greater China, but the decline in market share was also due to sales growth by rival manufacturers taking advantage of the weak yen. In Greater China, we aim to increase sales of our products for connectors, lenses and small precision parts, which we specialize in, and to regain market share by reducing costs by consolidating production at Amoy Factory.

Structural Reform and Medium-Term Management Plan

Q. What are the assumptions for smartphones and EV sales and the scale of mold investment in Greater China for the fiscal year ending December 2024?

A. Smartphones are expected to recover from the stagnation of the past few years, although demand for high-precision machines in lower-priced EVs in Greater China is limited.

Q. What are the reasons for the recovery in the fiscal year ending December 2024? What industry do you expect to recover from?

A. Demand for smartphones, IT, data centers, and EV-related products is recovering in the South China region of China, and machine tool and industrial machinery segments are expected to recover slightly. In Japan, the semiconductor and auto-related industries are expected to recover through the second half of 2024.

Q. If the market shifts from Greater China to Mexico and India in the medium-term management plan, will the market size remain small for a while?

A. We recognize that it will take time to return to the previous production level of 4,000 units per year. We expect annual growth of several percent.

Q. In terms of a shift away from dependence on China under the medium-term management plan, how long will it take and in which regions other than China do you plan to expand?

A. Currently, about 40% of all EDM sales are in Greater China, so it is assumed that the ratio in China will not fall suddenly, but we do not expect it to return to the high level in the past. In the West, we aim to expand our market share mainly in aerospace and auto-related industries. At our new sales office in Mexico, we will tap into demand for U.S. automotive and other countries' EV-related products, and expand after-sales services. In India, we will also expand sales by strengthening our existing sites, including the introduction of technology center capabilities to the sites.

Others

Q. With the Nikkei Stock Average nearing a record high, Sodick's stock price is rising. What changes do you think investors are appreciating? How do you perceive the changes in Japanese companies as a whole over the long period of 30 years?

A. Thirty years ago, the machine tool industry was centered in Japan, but the shift to overseas production has progressed mainly in IT and smartphones, and today, this is also the case for automotive production. On the other hand, owing to the trend of production returning to Japan, we are also proceeding with the corresponding measures.