

Results and prospects on 2Q FY2024/12

Q. The order number of manufacturing machine in Greater China seemed to recover in the 2Q report. How do you expect the order in 3Q? Do you expect the recent recovery trend will continue in Greater China?

A. The order of manufacturing machine has increased in Spring, and has decreased gradually after early summer in Greater China as our past experience, so we expect the order will decrease in the second half of FY2024. On the other hand, the demand for manufacturing machines have usually increased in the second half of the year, especially by the end of the year, in the US and Europe. We expect several business chances with subsidy in Japan, and try to increase sales in those areas, to make up for the decrease on Greater China and achieve our sales target for FY2024.

Q. To what degree do you expect the recovery trend of demand for the production of EV(Electric Vehicle) in China?

A. The increase in production of EV contributed to the increase in demand for machine tools in China, but the recovery condition of each automobile manufacturer still seems to vary. The increase in production of smartphones, devices related to data center and so on, as well as EV, contributed to the rapid increase in demand for machine tools in the first half of FY2024.

Q. Net sales result of machine tools segment in the first half of FY2024 was about 24.9 billion yen, and sales forecast in the second half of FY2024 was 24.5 billion yen, which is almost equal to the net sales result in the first half of FY2024. Do you think the recovery speed of your business performance will become slow in the second half of FY2024?

A. The demand and order of machine has increased between Spring Festival and early summer time, and has decreased gradually after autumn in Greater China as usual, so we expect the same trend in the second half of FY2024, too. On the other hand, we expect the demand to increase for large machine tools in, mainly, energy, aerospace and other industries in Japan, US, Europe and others. We expect to achieve net sales almost equal to the previous period in the second half of FY2024, and achieve the annual sales target for FY2024.

Q. What is the main reason that Sodick achieved the V-shape recovery of operating income in the 2Q?

A. Gross profit has drastically increased because of the sales of machine tools, the main business of Sodick, recovered. Productivity in factories has been improved by the optimization of production in Greater China. Reduction in the cost of sales and fixed costs were achieved by the progress of structural reforms. In addition, the number of sales of machine tools in emerging countries including India and others, have increased, thereby contributing to the improvement of operating income.

Q. To what degree do you estimate the influence from exchange and price hike in the gross profit? (in “factors contributing to changes in the operating income” chart)

A. About 1.9 billion yen increased in net sales because of the exchange (depreciation of Japanese yen), but the operating income was not significantly changed by the exchange. Cost cuts in manufacturing and fixed costs by improvement of productivity of the factories and the progress of structural reforms, contributed to the reduction of cost of sales. In addition, the price hike of several models also contributed to the improvement of profitability in the 2Q.

Q. What is the reason for the delay of recovery for demand in industrial machinery segment in Greater China?

A. There was a strong demand for production of high precision components for smartphones in Greater China until few years ago. However, the injection molding manufacturers have increasingly tended to shift their production bases from Greater China into other Asian countries from around last year. The production transfer of injection molding production from Greater China seems to be a lesser hurdle than production transfer of the mold production.

Others

Q. Do you expect the demand to increase for machine tools by the recent progress of technology of smartphone, PC and others, equipped with AI function.

A. We recognize the correlation between technology innovation and the demand increase of precision processing. We expect the positive effect of debut of new models of smartphone and others, equipped with new function, and technology innovation as such movement may lead to the demand increase of production of new mold (for which machine tools will be required).