

## Machine Tool Segment

- Q1. What is the status of orders for electrical discharge machines (EDMs) by customer type in China? What is your forecast for orders, and do you have any concerns, after July?**
- A1. We received orders mainly for 5G smartphone terminals and products for 5G base stations in the first half. We got the impression that the automotive industry was sluggish. In China, demand usually tends to grow after the Chinese New Year and slow toward the end of the year. However, we expect that demand will change favorably in this term if the demand for the automotive industry recover in addition to that for the 5G-related field. Relations between the US and China are concerned.
- Q2. How is the environment for receiving orders for EDMs in regions other than China? Please describe a temporary decrease in orders received due to the lockdown and the present situation of business**
- A2. Negative conditions will continue in Japan and Asia. In the West, the aerospace and energy-related industries, which had been strong in the past, have fallen overall, but medical-related industry have remained strong. Employees are currently rotating between working at the office and working at home.
- Q3. What is the reason for the increase in segment income in the second quarter compared to the first quarter? Is there a change in the mix of sales due to the effect of increased sales in China and increased demand for 5G-related and semiconductor-related fields?**
- A3. The main factor is the improvement in productivity due to improved orders in China. Earnings fell at the Thailand Plant as orders slowed down due to the influence of the lockdowns in Japan, the West, and Asia, but earnings improved at two plants in China. Another factor is a decrease in SG&A expenses owing to exhibitions canceled in Japan, the US and other countries.

## Industrial Machinery Segment

**Q4. Did orders increase from a year earlier in the industrial machinery segment in the first and second quarters?**

**What are some factors that led to these changes?**

A4. Orders increased in the first quarter but decreased in the second quarter.

This was due to an increase in orders for narrow pitch connectors in addition to those for 5G-related products.

## Food Processing Machinery Segment

**Q5. It seems that profitability is not good compared to last year. Specifically, what kind of projects are good and what kind of projects are not? May expanding this segment into various fields change the economic feasibility, productivity and profitability?**

A5. For new development projects and projects that require large customization, there are cases where development costs are required, where it takes costs to set up a line from inspection to acceptance, and where the feasibility is poor.

We consider that, on the other hand, repeated projects may be more profitable compared with new ones.

**Q6. I think that there is a growing demand for noodles thanks to an increase in home-meal replacements owing to the spread of COVID-19. Has there been a substantial fall in the food service industry? Is a demand from capital investment expected to recover in the future?**

A6. Sodick is recently seeing a growing demand for frozen noodle equipment in addition to frozen noodle-making equipment.

A demand for noodle-making equipment has not slowed down substantially on the whole.

The Company also focuses its efforts on the instant noodle field and other fields that are expected to expand in the future, in addition to existing raw noodle-making equipment.

## **Plan for the Second Half**

**Q7. Regarding the assumptions for the second half of the plan, do you see any signs of a lull in the 5G-related demand in China?**

**Please explain demand by industry in China.**

A7. We do not estimate that the 5G-related demand will fall off in both the machine tool and industrial machinery segments in the second half.

We estimate that auto-related industries will recover after the second half and expect that electronic component-related industries incidental thereto will change steadily.

## **Capital Investment**

**Q8. Capital investments for the full year are kept intact at 4,500 million yen as stated in the plan at the beginning of the term. Will you make investments as planned?**

A8. We have not reviewed the investment plan until now but have had some investment projects postponed due to the influence of the spread of COVID-19.

## **COVID-19-related Matters**

**Q9. Do you think that China is already in the post-corona world in terms of demand for your products?**

A9. In China, Sodick took thorough measures to prevent infections from the end of January, and there has been no infected individuals in the Company. We recognize that the influence of COVID-19 has been settled in the present situation.

However, we have an apprehension as to whether demand will continue in export industries from China after this.