

## **Machine Tool Segment**

- Q. In December 2020, orders for EDMs exceeded 300 units, showing a significant recovery. What kinds of orders were strong? Is this order increase in December temporary, or are orders expected to remain strong after January 2021?**
- A. The order increase in December 2020 came from a wide range of industries, mainly China, but not from specific industries.  
We expect that, after January 2021, orders will recover not only in China but also in other regions.
- Q. Regarding the order trend in Greater China, were there any differences between industries during the recovery phases in March and October 2020?**
- A. In the first half of FY20/12, orders were mainly for smartphones, but in the second half, we received an increasing number of automotive-related orders.
- Q. In the machine tool segment, I hear that changes in the supply chain and investment in advanced technologies in the Greater China are accelerating due to friction between the United States and China. Do you see a growing demand for high-precision machines in Greater China? Also, are there any changes in market structure due to the spillover effects of US-China trade friction, and what are your future regional strategies in response to such changes?**
- A. Demand in Greater China seeks more precise machines, but the level is still the same as what was required a decade ago in Japan and the West. Customers in Japan and the West demand machines of higher precision. In addition, demand for automation and IoT seems to appear.  
As for the change in the market structure, we had expected to shift to “China plus one.” The reality is, however, that Asian region has not yet played a role of “plus one” of China, since the influence of China is spreading to Asian countries.
- Q. There is an impression that, in the projection for the machine tool segment for FY21/12, the income margin increased significantly compared with the increase in net sales. What are the factors behind the improvement in income margin compared to the second half of FY20/12?**
- A. In the second half of FY20/12, the factory did not operate at full capacity, but as it will return to normal operation by the end of FY21/12, we expect income to improve.  
In FY2020, we succeeded in cutting costs. We will continue efforts to reduce expenses this year, too.

### **Industrial Machinery Segment**

- Q. Could you tell us about the background of orders from new customers for 5G smartphones in Greater China, their characteristics, and continuity?**
- A. In the smartphone field, high-precision machining is required because of an increased number of lenses to install and improvement of the precision of connectors. That's why our high-precision injection molding machines sell well.
- Q. Orders in the injection molding machine industry are increasing, but the projection for FY2021 is weak. Are there concerns that the competitive environment will change?**
- A. Demand for lenses and connectors for smartphones is stable, but Sodick's injection molding machines are structurally different from those of other companies. As a result, the unit price was a little higher than others, and we were unable to win a large-lot order. In FY2020, however, we got many orders, exceeding our expectations. Although we have received a large number of inquiries in FY2021, we believe it will be difficult to cope with all of them. That's why the projection is conservative.

### **FY21/12 Projection and Medium-Term Management Plan**

- Q. What is the balance between the first half and the second half of FY21/12 projection?**
- A. As the first half remains affected by COVID-19, we expect business performance to recover in the second half.
- Q. What are the trends in injection molding machines by application (automobiles and smartphones)?**
- A. Demand for automotive-related products is stable, but demand for smartphones varies depending on the size of the project, which may cause business performance to fluctuate.  
In addition to automotive and smartphone-related applications, demand for medical equipment is very stable in North America.
- Q. According to Medium-Term Management Plan, net sales in FY23/12 are forecasted at 75 billion yen. Could you tell me why it will not recover to the level of 82.7 billion yen in FY18/12?**
- A. The market was very strong in 2018 thanks to the subsidy policy in China.  
In the future, if each country implements a subsidy policy as a national policy, or if demand increases significantly due to the rapid shift to EVs, it is expected that the demand will return to the level of 2018. However, the future is uncertain at present, so we do not insert rapid increase in demand into our Medium-Term Management Plan.
- Q. While this year's Medium-Term Management Plan posts net sales of 75 billion yen and operating income of 7.6 billion yen for FY2023, last year's plan showed net sales of 75.7 billion yen and operating income of 6.6 billion yen for FY2021. Although net sales of both years are at almost the same level of 75 billion yen, the target amounts of operating income and income margin will increase in this year's plan compared to last year's plan. Has there been any change in the cost structure in the past one year?**
- A. This is not due to a major change in the cost structure, but to the promotion of DX and the effect of cost reduction throughout the entire company.

### Convertible Bonds

**Q. Convertible bonds issued in April 2016 become due in April 2021. Could you tell us why Sodick issued these convertible bonds at that time? Also, if the convertible bonds are not converted, will you redeem the bonds in April 2021 as scheduled? Do you also plan to issue new convertible bonds or raise other funds?**

A. Among the convertible bonds issued in 2016, only a few were actually converted. The reason why we issued the convertible bonds was because at that time Sodick had just changed its listing market to the First Section of the Tokyo Stock Exchange and needed funds to strengthen each business, aiming at further growth of the Company. The funds raised were used to establish a multi-factory in Kaga Plant, etc.

If the convertible bonds are not converted, they will be redeemed in April 2021. We will use the proceeds from borrowings to redeem them, and have no plan to issue new convertible bonds so far.